Draft

South Kirkland Transit Oriented Development Market Analysis

Prepared for:

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Executive Summary

Property Description

The South Kirkland Park & Ride consists of two parcels totaling approximately seven acres. The parcels are located in both Kirkland and Bellevue, with roughly one half of the land area situated in each city. The subject of this study is the 3.65 acre portion of the park and ride lot that is located in Kirkland.

Regional Apartment Market

There are 213,867 existing apartment units in the regional market, of this number, 7.2% are vacant. Vacancy is forecasted to peak at about 8% in mid-2010, and then gradually return to favorable conditions as the economy recovers. By 2014, supply is expected to rebalance toward historic norms with vacancy rates in the 5% to 6% range.

Market Rate Apartments

Kirkland, Bellevue-West and Bellevue-East make up the subject's Primary Market Area (PMA). The population within the PMA is currently 114,288. The total number of households is estimated at 51,257, or 2.23 people per household.

Demand

Of the 51,257 total households in the PMA, currently, 21,509 are households are renters. Of these households,12,874 are renters of apartments in buildings of 20 or more units. By 2014 the number of renter households is expected to increase to 22,679 or 1,170 households. Of these households, 700 will be new apartment renters.

The existing renter households are dominated by three age groups; they are the 25 to 34, 35 to 44, and 45 to 54 year olds. The 25 to 34 age group consists of 31% of the total renter households. The 35 to 44 age old group consists of 21% and the 45 to 54 age group consists of 15% of the total household renters. By 2014, the 25 to 34 year old group is expected to increase to 33% of the renter households. The 35 to 44 age group is expected to drop to 20% and the 45 to 54 age group is forecasted to hold steady at 15%.

Renter households as a portion of total households, is trending upward. In 2000, 40.8% of the total households were renters, in 2009 this figure was 42%, and by 2014 it is expected to reach 42.6%. The age segments of the household population that is most likely to be renters are the under 34 year olds, and this group is expected to experience growth. This group includes people who are moving into the housing market; they are likely to be smaller households and apartment renters. In addition, the majority of the households in this group have total household incomes of less than $100,000, making them more likely to be renters. They are also the group most likely to rent units in transit oriented developments.

Apartment demand consists of two components; turnover of renters in existing units and new renters entering the market. In 2014, 6,717 of the apartment renter households are expected to move into new apartments. An additional 140 new renter households will enter the market; equaling total renter demand of 7,218 units, after accounting for frictional vacancy.

Supply

Within the PMA there are currently 13,617 market rate apartment units in buildings with 20 or more units. The current vacancy rate is 5.46% or 743 units. During the last ten years, 2,945 new units have been constructed in the PMA, or an average 294 units per year. After accounting for demolitions and conversions to condominiums or other uses, total inventory has only increased by 1,085 units or 108 units per year. Currently, 1,117 new units are under construction in the PMA, the majority of which are located in the Bellevue CBD. Beyond the glut of projects currently under construction, there are very few known market rate projects being planned.

Vacancy Forecast

Apartment construction, reconversions, condo and home rentals, foreclosures, and new condo developments, plus falling demand due to job losses, lower in-migration, and price-competitive home-buying opportunities are currently weakening the demand for apartments. The vacancy rate for apartment units built since 2000, within the PMA is currently 5.6%. It is anticipated that vacancy will experience a spike to a high of 8% in 2011, as the numerous projects begun during the height of the market come on line. By 2014, this excess supply will be absorbed, and vacancy will begin to rebalance toward historic norms.

Rent Forecast

The average rent for apartment units built since 2000 is $1,568 per month, down from a spring 2008 peak of $1,680 per month. Rents generally run inversely to vacancy and will return to positive growth once the current excess of new inventory is absorbed, sometime in 2012.

Absorption

The data suggests that the annual demand for apartments in the PMA will equal 7,218 units in 2014, by which time it is anticipated that demand for new apartment units will have returned. An apartment project constructed at the subject will consist of new units, offering superior amenities, and have a location advantages including immediate access to transit. Newer properties almost always lease up at the expense of older properties. A new project located in the PMA could absorb between 2% and 4% of the annual apartment demand. It is reasonable to suggest a new project at the subject would capture 3% of the demand or 217 units.

Unit Mix

A well accepted apartment development risk management practice involves creating a range units sizes and configurations to attract a broader market. The unit mix distribution found in apartment's age 2000 and newer within the PMA is instructive. The most common unit configuration is a one bedroom unit, which represents about 38% of product. This is followed by two bedroom units at 28%, and studio units at 24%. Other unit types only make up about 10% of the distribution. The under 34 age group tends to occupy smaller units and suggesting the most appropriate unit mix includes studios, one bedroom, and two bedroom units. The recommended unit mix and size distribution for a market rate apartment project at the subject is based on the forecasted demographics and comparable projects recently built within the PMA. The parking ratio is on the lower end of what is considered typical for multifamily project due to the subject's proximity to public transit, as shown in the table below.

Unit Type	Unit Mix	SF/Unit
Studio	24%	560
1 Bedroom/1 Bath	44%	700
2 Bedroom/2 Bath	32%	1,000
Overall Project Avg.	*100%*	*762*

Affordable Family Housing

Supply and Demand

In King County, the current area median household income (AMI) is $84,300. Within the PMA, there are 4,415 households earning between 30% and 60% of AMI and only 1,076 affordable units serving this group. Unmet demand exists for more than 3,000 affordable units.

A common technique used by affordable housing analysts to determine which segments are underserved is to measure the penetration rate at specific income levels in contrast to the demand. The market penetration rates within the PMA is currently 24% at the 30% AMI level, 2% at 40% of AMI, 7% at 50% of AMI, and 16% at the 60% AMI level, suggesting a need for new housing at all income levels.

Absorption

The data suggests that the annual demand for affordable apartments in the PMA will equal 2,475 units in 2014. Newer properties almost always lease up at the expense of older properties. It is anticipated a new project located in the PMA could absorb between 5% and 10% of the annual affordable apartment demand. The data suggests a new project at the subject could capture 7% of the demand or 173 units.

Unit Mix & Size Distribution

Modern mixed income apartment projects do not differentiate between market rate and affordable unit mix and size distribution, accordingly the same unit mix and distribution is appropriate for the subject. The parking ratio is slightly lower than the market rate project as is typically the case for affordable projects. The table below outlines the suggested unit mix for the subject property.

Unit Type	Unit Mix	SF/Unit
Studio	24%	560
1 Bedroom / 1 Bath	44%	700
2 Bedroom / 2 Bath	32%	1,000
Overall Project Avg.	*100%*	*762*

Affordable Senior Housing

Supply and Demand

Of the 4,415 income-qualified renter households at the 30% to 60% AMI level in the PMA, 1,648 are qualified to rent units dedicated as affordable senior housing. Currently, there are only 434 units operating under all of the affordable housing programs that are restricted to seniors. Unmet demand for more than 1,000 additional affordable senior units exists in the PMA. The senior housing market penetration rate, for the 30% to 60% of AMI, is currently 32%, suggesting ample unmet demand.

Absorption

The annual demand for affordable senior apartments in the PMA will equal 2,475 units in 2014. A new project located in the PMA could absorb between 20% and 40% of the annual apartment demand. It is reasonable to suggest a new project at the subject could capture 30% of the demand or 196 units.

Unit Mix & Size Distribution

The table below outlines the recommended unit mix, size distribution and parking ratio for an affordable senior project built on the subject. The unit mix is based on conversations with market participants and a study of comparable senior properties.

Unit Type	Unit Mix	SF/Unit
1 Bedroom	60%	550
2 Bedroom/1 Bath	40%	730
Overall Project Avg.	*100%*	*622*

Assignment Purpose

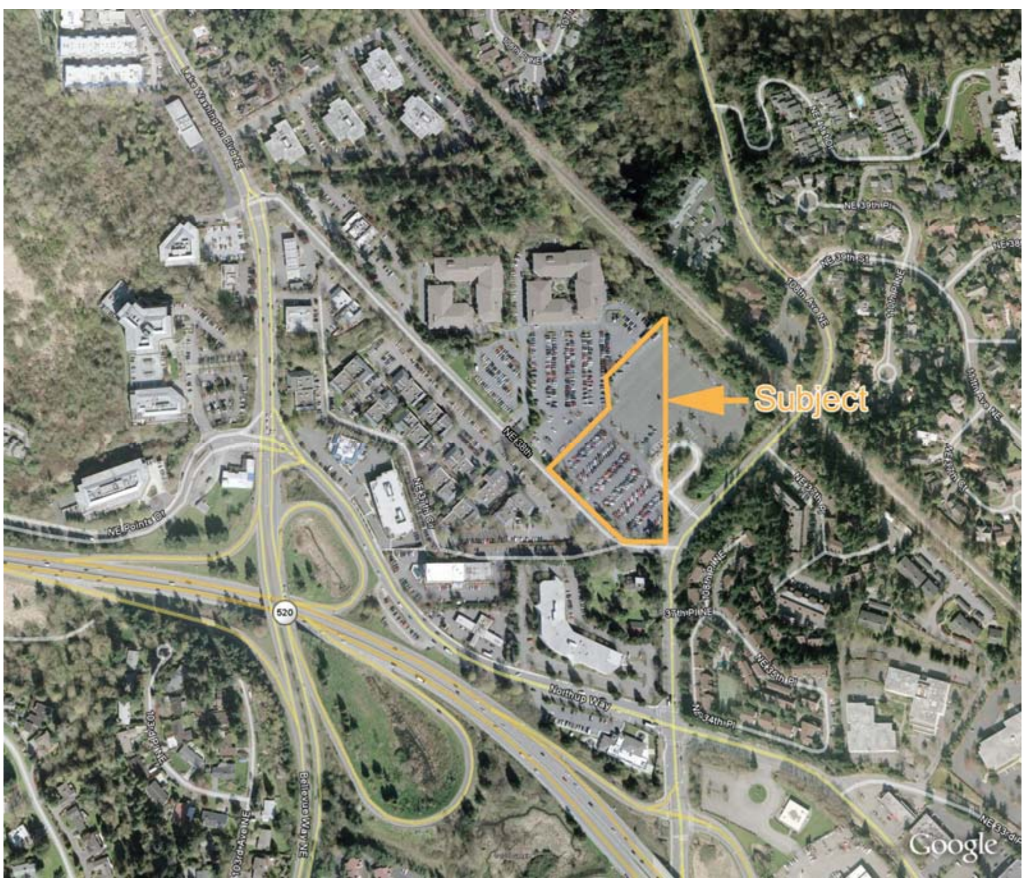
The purpose of the assignment is to assess the demand for multi-family housing on the Kirkland portion of King County's South Kirkland Park and Ride property. The scope of work involves the evaluation of supply and demand characteristics of the following real estate products.

1. Market Rate Apartments
2. Family Affordable Housing
3. Senior Affordable Housing

The results of this study will determine the appropriate product mix, be used to test the physical capacity of the site, and to measure financial feasibility.

Property Description

The South Kirkland Park & Ride is a made up of two parcels totaling approximately 7 acres. The parcels are located in both Kirkland and Bellevue, with roughly one half of the land area is situated in each city. The subject of this study is the 3.65 acre portion of the park and ride lot that is located in Kirkland. The map below shows the location and surrounding environment:



Location

The property is located at the intersection of NE 38th Street &108th Avenue NE in the City of Kirkland, WA. It is accessed from I-520 via 108th Avenue NE. It is also located directly adjacent to the former Burlington Northern Rail right-of-way.

Property Description

The subject is an irregular shape parcel, generally level except at a narrow transition along the boundary with 108th Avenue NE. The site is bounded by parking lots to the North and East, 108th Ave NE to the South and NE 38th Pl to the West. According to the county Assessor, gross site area for the subject totals 158,950, or 3.66 acres. The property data is summarized in the table below:

APN	SF	Acres	Zoning	Jurisdiction
202505-9230	158,950	3.65	PO	Kirkland

Zoning

Surrounding land uses include low density residential and suburban office parks. The property is currently zoned, Professional Office (PO). As part of its effort to redevelop the property, King County recently sought and received a comprehensive plan change to provide for transit oriented development. At this time, the County and the City of Kirkland are working complete a zone reclassification. This study, in part is intended to inform the zone reclassification process.

For the purposes of this study it is assumed that the allowed land uses will include park and ride parking, multi-family residential, and a wide range of retail and office uses.

Regional Apartment Market

Introduction

The regional apartment market is comprised of King, Snohomish, and Pierce Counties, which are divided into 56 neighborhood submarkets. The following regional market analysis is based in part on Dupre+Scott Apartment Advisors Inc. survey data.

Demand

Dupre+Scott Apartment Advisor's "The Apartment Advisor" December 2009 characterizes demand as follows.

> *Employment Forecast*
>
> The new December employment forecast from Conway Pedersen Economics shows job growth will start to pick up slowly in the second quarter of 2010. The forecast expects the region to have 15,000 more jobs in the fourth quarter of next year compared to the fourth quarter of this year. That's an increase of just over 2,000 jobs from their last forecast. However, the forecast suggests job additions over the next five years won't be as good as previously expected. Employment was expected to increase by almost 135,000 jobs, down from 153,000 jobs, forecasted earlier. Due, at least in part, to Boeing's addition of a South Carolina production facility for the 787.

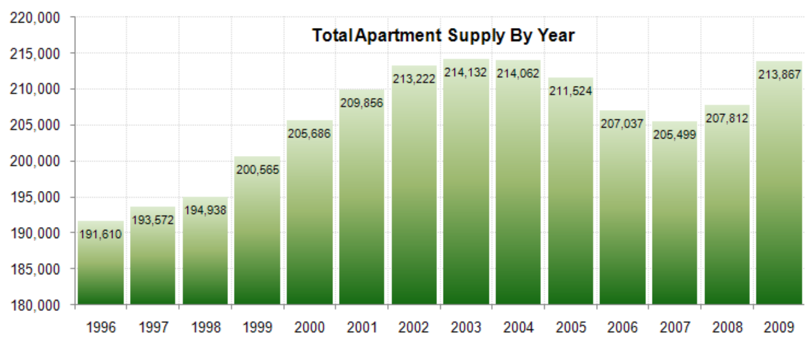
Demand Forecast

There is a relationship between apartment demand and job growth. There are 1.75 million jobs in King, Pierce, Snohomish, Kitsap, and Island counties, and just over 209,000 occupied apartments in 20-unit and larger properties in the same area. That works out to 8.4 jobs for every occupied apartment.

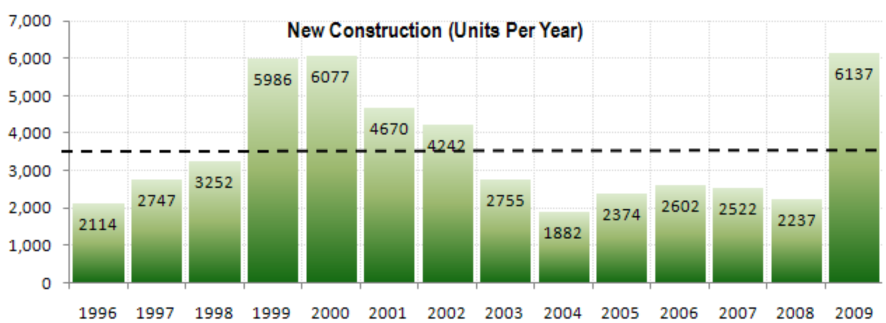
Based on that relationship, and "Conway Pedersen Economic Forecaster" job growth forecast, it is expected that there will be demand for 16,000 additional rental apartment units over the next five years. The jobs-to-demand rule-of-thumb is a guide only, but a useful one. Jobs are not the only factor adding or deducting demand for apartments. Population growth, net migration, income, demographic changes, and other factors all impact demand for apartments. Rent, home prices, and interest rates also impact rental housing demand. Still, employment is a major factor in increasing, or reducing apartment demand. Net migration to the region averaged more than 26,000 people a year between 2006 and 2008. Conway Pedersen estimates net migration will total 48,000 people in the next five years, for an average of 9,600 people annually. Although that's not very exciting, at least more people should be moving to the region than moving out.

Supply

There are 213,867 are apartment units in buildings 20 units and larger in the King, Peirce and Snohomish counties (Not including vacancy).

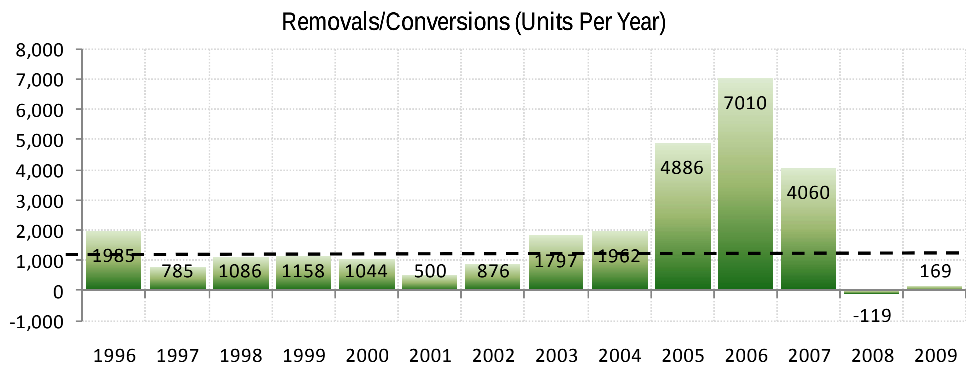


Since 1996, new construction has averaged 3,543 apartment units per year in the region, as shown in the graph below. From 2003 to 2008, this rate decreased to an average of 2,395 units per year before substantially increasing in 2009 to 6,137 new units delivered.



As shown on the graph below, offsetting new construction is the loss of apartment units as a result of demolition or conversion another uses. Since 1996, demolitions/conversions have averaged 1,244 units per year in the region. From 2005 to 2007, this rate spiked to an average 5,319 units per year, which had the effect of decreasing the overall inventory. This loss of units was mostly driven by condominium conversions which grew from about 30% of removals to more than 80% during this period.

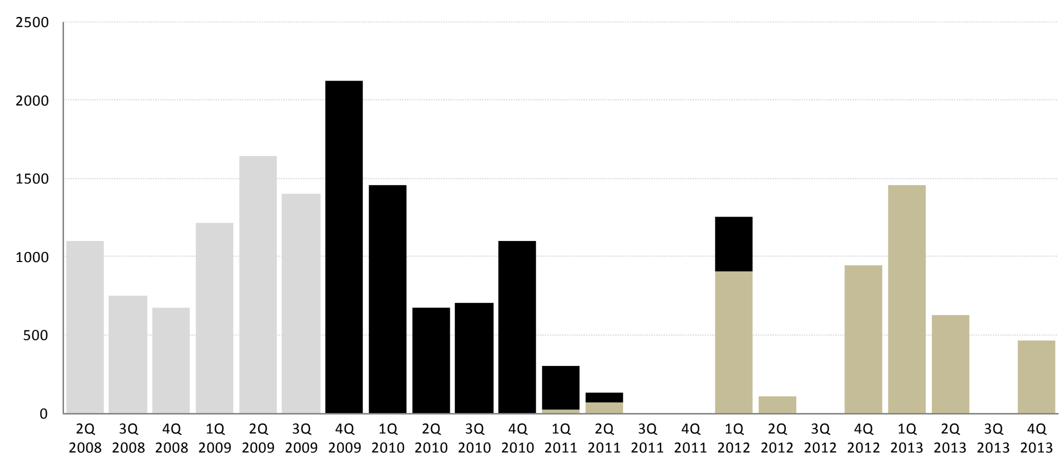
From 2004 to 2007, nearly 17,918 units were pulled out of the market. This reduced the overall apartment inventory in 2007 to levels existing in 2000. In 2008, this trend reversed with and condominium units were converted back to apartments or taken out of the supply for affordable housing purposes.



Future Supply

In 2007 new apartment construction became feasible in the vacuum left by the collapse of the condominium market. This spurred a number of new apartment deliveries as illustrated in the following chart.

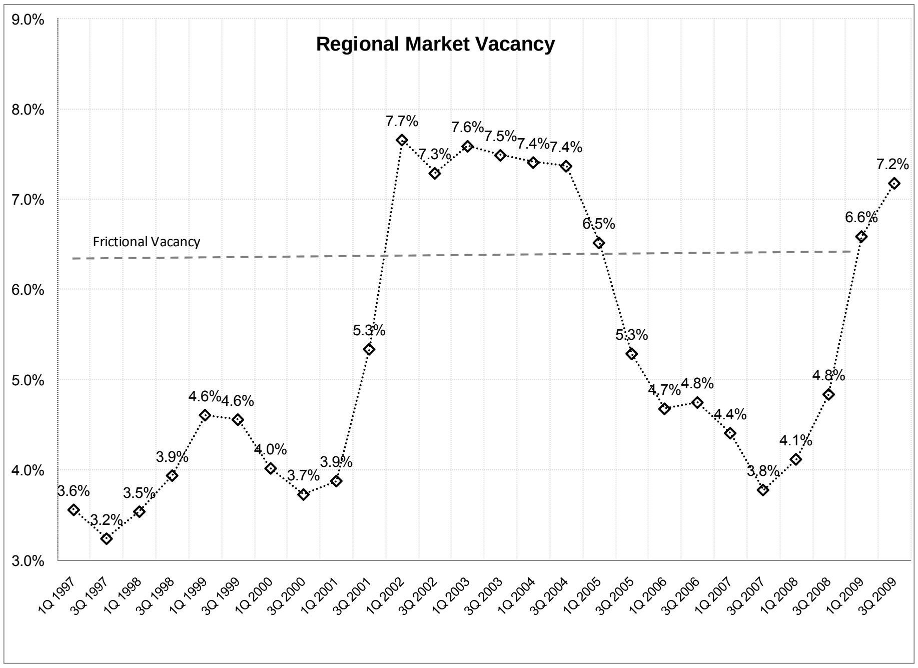
Since 2008, 6,779 units have been completed including 4,252 delivered in 2009 (as of September). In addition to the newly completed units, another 6,751 units are under construction including 2,122 units expected to open later this year. The remaining are planned projects, most scheduled for completion 2012 and beyond. The graph below shows the projects completed during 2008 and 2009, the projects under construction, and projects that are planned.



	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Completed	1099	754	674	1,213	1,639	1,400	0	0	0	0	0	0	0	0	0	0	0	0	0				
Under Construction	0	0	0	0	0	0	2122	1456	677	705	1097	283	60	0	0	351	0	0	0	0	0	0	0
Planned Construction	0	0	0	0	0	0	0	0	0	0	0	21	72	0	0	908	111	0	947	1460	627	0	465

Vacancy

When vacancy is 5% a market is considered to be in equilibrium. When vacancy is less that 5% supply is considered constrained and vacancy in excess of 5% is oversupplied. In 1997, the regional apartment market strong for apartment building owners with vacancy of only 3.2%. By 2002 vacancy had increased to 7.7% and by 2007 vacancy returned to a low of 3.8%. Today, vacancy stands at 7.2

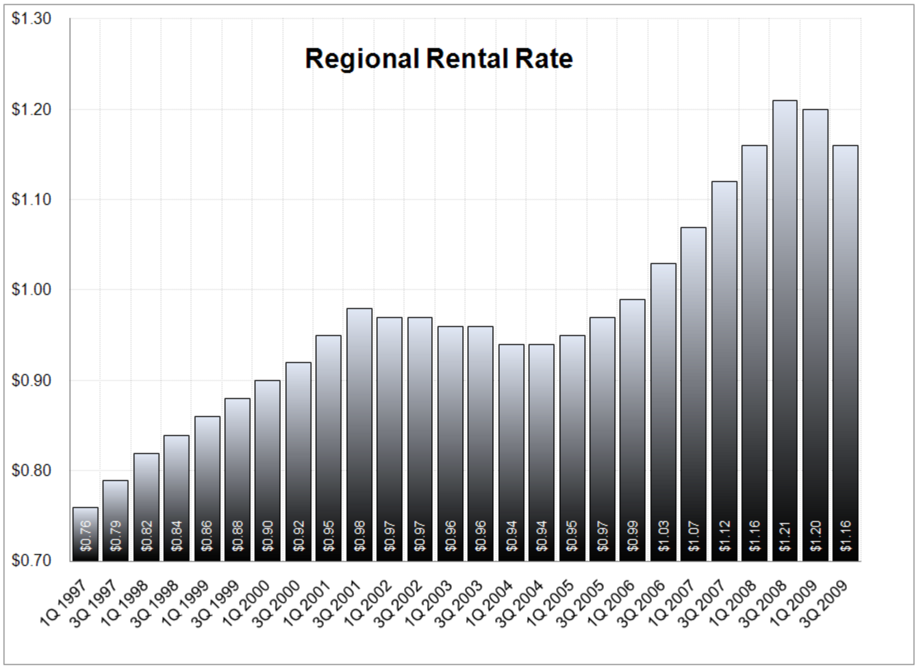


During the third quarter of 2008, the regional vacancy rate was 4.8% and just one year later, as of the third quarter 2009 vacancy had increased to 7.2%. This is a measure of the "market" vacancy, which excludes units in lease-up and those undergoing significant renovation. Including these units the "gross" market vacancy is 8.4%. The greatest changes were in Seattle where vacancy increased from 3.2% to 6% and in Pierce County where the rate went from 4.5% to 9.2%, a 2.9% and 4.7% annual change respectively

		Market Vacancy	
SubRegion	**3Q 2009**	**3Q 2008**	**Change**
King - Seattle	6.0%	3.2%	2.9%
King - Eastside	5.5%	4.5%	1.1%
King - South	7.8%	5.9%	2.0%
King County	6.7%	4.7%	2.0%
Snohomish County	6.8%	5.8%	1.1%
Pierce County	9.2%	4.5%	4.7%
Tri-County	7.2%	4.8%	2.3%

Rental Rates

In 1997, apartment rental rates in the region averaged $.76 per square foot. As shown in the graph below, at the end of 2009, they stood at $1.16 per square foot of rentable apartment area. The change reflects an average compounded annual increase of 3.3 percent per year.



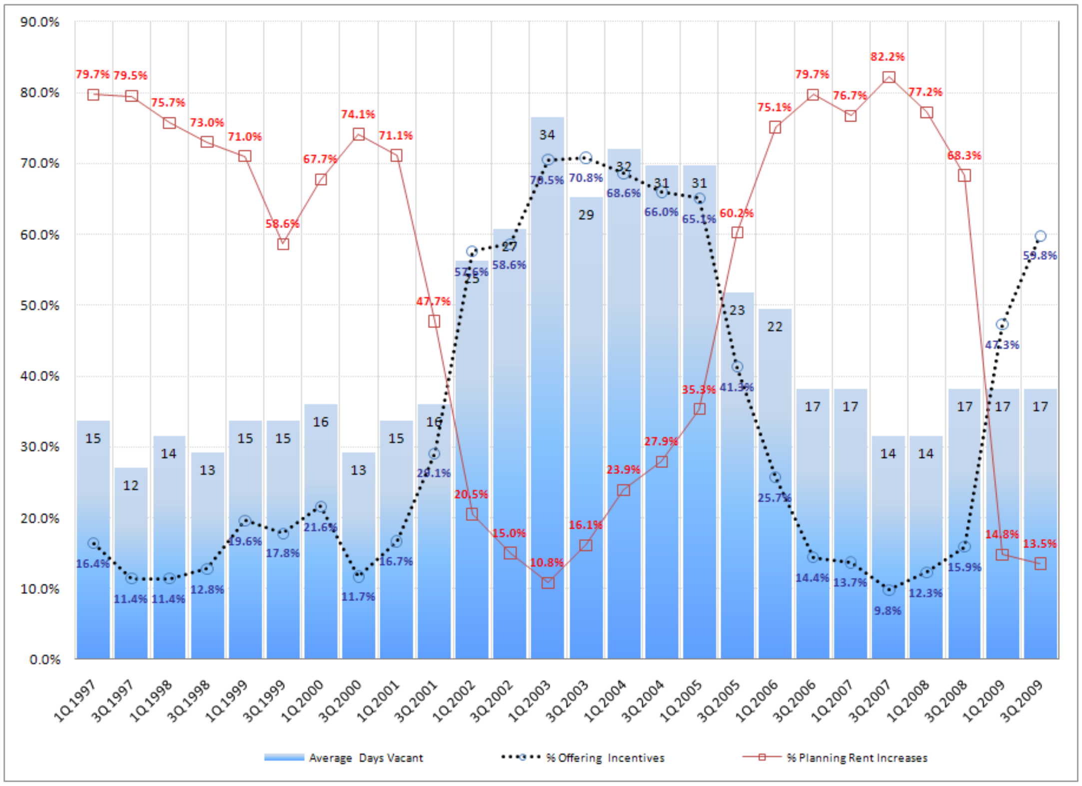
The table below shows rental rates by unit type and averages for all unit types as of the third quarter 2009. Rental rates by county were $1.23 per square foot in King County, $1.02 in Snohomish County, and $.98 in Pierce County. Seattle rents are the highest in the region, averaging $1.58 per square foot, followed by Eastside at $1.30 per square foot.

Fall 2009 Average Rent Rates

SubRegion	All	Studio	1BR	2BR/1BA	2BR/2BA	3BR/2BA
King - Seattle	$1.58	$1.80	$1.52	$1.40	$1.48	$1.40
King - Eastside	$1.30	$1.73	$1.38	$1.24	$1.25	$1.24
King - South	$1.04	$1.41	$1.12	$1.01	$1.00	$0.99
King County	$1.23	$1.71	$1.35	$1.20	$1.21	$1.15
Snohomish County	$1.02	$1.35	$1.11	$0.99	$0.95	$0.99
Pierce County	$0.98	$1.36	$1.04	$0.92	$0.93	$0.93
Tri-County	$1.16	$1.67	$1.27	$1.12	$1.14	$1.09

Concessions

The graph below shows average number of days a unit is vacant, the percent of managers offering incentives, and the percent of managers planning rent increases. Over the past six months, the percentage of property managers anticipating increasing rent decreased further to 13.5%. At the same time those properties offering concessions increased from 47.3% to 59.8%. Regionally, the average give-a-way is $755 (averaging more than 3 weeks free rent), equivalent to a further 6.3% drop in rent. Combined, rent reductions plus concessions reflect a downward impact of more than 10% to a property's revenue on average.



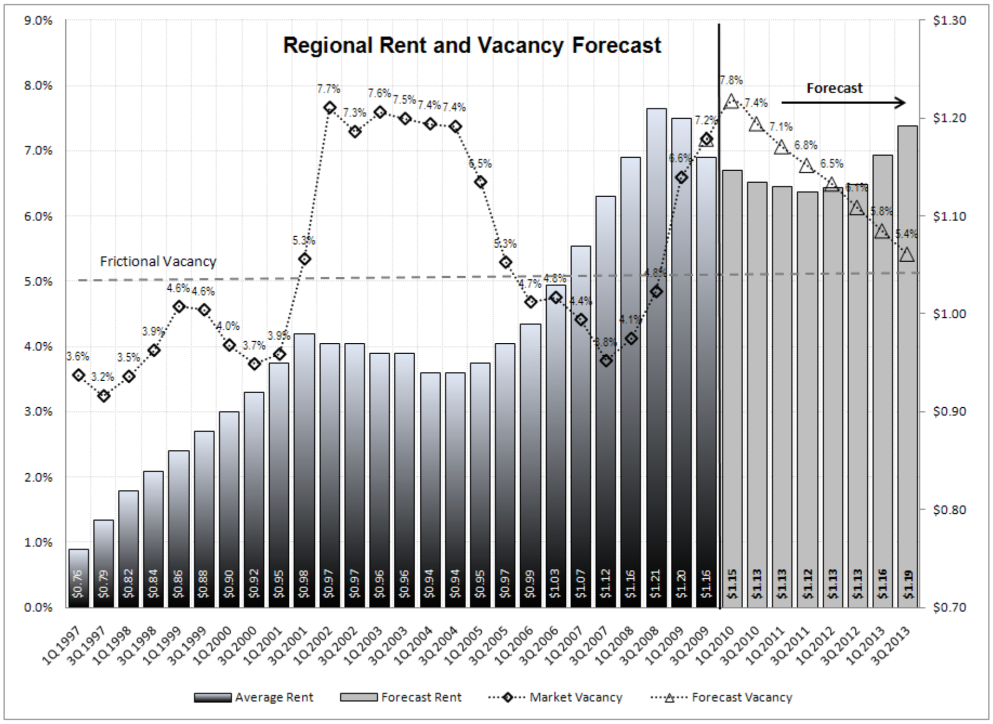
Rent and Vacancy Forecast

As shown in the graph below, vacancy rates generally have an inverse relationship with changes in rent; as vacancy rates increase the rate of rent growth generally decreases. During the last recessionary period for the apartment market, 2001 to 2004, regional vacancy remained in the mid seven percent range. Over the same period, rents dropped from $0.98 to $0.94/sq ft/month – a decrease of about 4.3%.

The apartment market has again moved into the recessionary phase of the real estate cycle. The regional vacancy rate increased from 4.8% in the fall of 2008 to 7.2% a year later. Over the last 12 months, the average rent has dropped to $1.16/sq ft – a loss of 4.1%, which is the largest annual decrease since 1997.

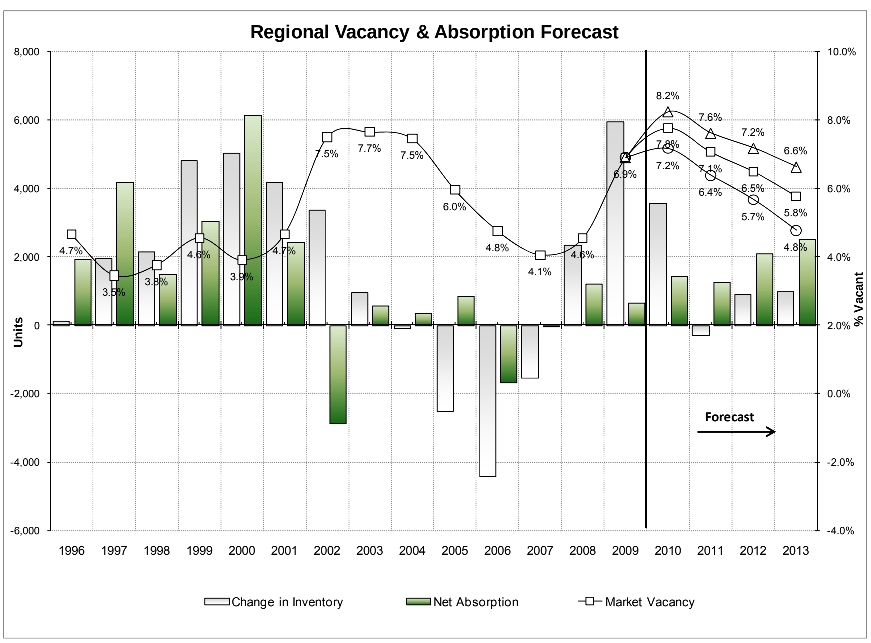
Since the peak of the market in 2007, property managers have struggled to maintain occupancy and apartment revenues have deteriorated. Accordingly, the market has favored the renter with landlords reducing rents along with increased use of concessions.

Vacancy is forecasted to peak in early 2010, at 7.8%, and then gradually return to positive territory as the economy recovers. It is anticipated that rental rates will decline slightly or remain flat through 2011. In 2012 job growth is expected to improve and the projects currently under construction will be absorbed. Beginning 2013, supply will become constrained and rental rate increases will move to above average levels. The graph below depicts the swings in the apartment market since 1997 and a forecast of vacancy and rent levels through 2013.



Absorption

The graph below forecasts vacancy and absorption based on projected employment and population growth, and projected future supply. When the net "change in inventory" exceeds "net absorption" (i.e. the change in occupied space) market vacancy increases. The forecast applies baseline, optimistic and pessimistic assumptions to the employment based anticipated demand and projected apartment completions. Based on these assumptions, regional vacancy is forecast to peak in 2010 between 7.2% and 8.2% (7.8% considered most likely) then decreasing gradually to between 4.8% and 6.6% (5.8% considered most likely) by the end of 2013.



Risks to Forecast

This forecast is largely dependent on the duration of the current recession and timing of the anticipated turn around in the economy primarily relating to employment growth. The other item impacting future demand is the amount of inventory delivered. At this time we can reasonably assume that most projects already under construction will be completed. Most planned projects in the out years have been put on hold. Once the market begins to correct (shown in our model in 2011), net absorption will increase to the point where new construction will be needed again.

Investment Activity

Sales in the Puget Sound Region have slowed to an anemic pace in 2009. Over the past 12 months, lenders have gotten considerably more cautious and are requiring greater participation by investors. With more stringent financing and continued low cap rates, there is virtually no positive leverage, which is a factor in the slowing transaction volume.

So far, there have been 29 sales regionally in 2009 with a combined sales volume of about $183 million. Annualizing this rate would result in $244 million in sales volume. Compared to the $1.37 billion in sales in 2008 (102 sales), current transactional volume is down more than 80%.

The average actual capitalization rate has edged up from 5.4% to 6.3% in the past nine months, showing where the trend is headed. Part of the increase in capitalization rates is the increased equity requirements in the available financing, but also the moderated forecasts of rent growth and a return of a risk factor in the overall rates. Close-in apartments should be one of the better product categories as overbuilding was less of an issue and demand has remained relatively strong. There is still a very large amount of capital out there looking for real estate investments, and apartments are one of the favored classes looking forward to a normalization of the market.

Regional Investment Overview

Item	County	2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD 09
No. of Sales	King	83	72	82	80	105	177	158	132	67	15
Total Units	King	6,620	5,486	7,820	5,815	10,127	16,713	13,330	11,089	8,073	1,251
Avg. Price/Unit	King	$73,724	$77,199	$81,025	$78,721	$87,056	$105,719	$126,700	$135,378	$135,838	$128,027
Avg. Price/SF	King	$101.40	$107.42	$106.27	$110.97	$120.58	$137.73	$165.14	$184.63	$178.98	$170.42
Avg. Age	King	1967	1969	1973	1970	1972	1974	1974	1971	1974	1981
Cap Rate (Act.)	King	7.4	7.6	7.4	6.9	6.1	5.6	5.1	4.7	5.1	6.0
Avg. Rent/SF	King	$1.00	$1.09	$1.10	$1.11	$1.10	$1.14	$1.19	$1.23	$1.27	$1.47
Avg. Expense/Unit	King	$3,159	$3,316	$3,606	$3,526	$3,691	$4,109	$4,074	$4,077	$4,288	$4,263
No. of Sales	Snohomish	16	24	19	15	24	43	43	27	17	4
Total Units	Snohomish	1,055	2,907	1,262	1,448	2,702	5,507	5,051	2,955	2,191	132
Avg. Price/Unit	Snohomish	$62,123	$64,884	$62,697	$64,942	$70,505	$77,856	$85,755	$111,955	$110,832	$90,639
Avg. Price/SF	Snohomish	$71.46	$70.72	$72.59	$73.81	$85.16	$82.76	$99.89	$127.28	$127.80	$99.23
Avg. Age	Snohomish	1982	1983	1983	1987	1981	1986	1981	1984	1982	1983
Cap Rate (Act.)	Snohomish	8.3	7.9	7.8	7.2	6.4	5.8	5.4	5.1	5.4	6.2
Avg. Rent/SF	Snohomish	$0.84	$0.85	$0.88	$0.86	$0.89	$0.87	$0.90	$0.99	$1.01	$1.00
Avg. Expense/Unit	Snohomish	$3,152	$3,426	$3,522	$3,595	$3,601	$4,152	$3,979	$4,101	$3,975	$4,706
No. of Sales	Pierce	43	29	35	54	38	50	48	34	21	12
Total Units	Pierce	2,447	1,633	2,059	3,543	1,815	3,371	3,187	2,095	1,260	557
Avg. Price/Unit	Pierce	$35,653	$34,790	$39,986	$42,837	$48,912	$54,830	$71,287	$63,171	$76,158	$69,994
Avg. Price/SF	Pierce	$50.44	$47.46	$55.25	$60.59	$65.37	$76.21	$91.08	$91.77	$99.28	$80.94
Avg. Age	Pierce	1968	1972	1968	1969	1974	1975	1968	1970	1964	1975
Cap Rate (Act.)	Pierce	8.7	8.9	8.0	7.8	7.3	6.4	6.0	5.8	5.9	6.6
Avg. Rent/SF	Pierce	$0.71	$0.74	$0.72	$0.83	$0.82	$0.85	$0.88	$0.93	$0.94	$0.98
Avg. Expense/Unit	Pierce	$2,710	$2,920	$2,846	$3,014	$3,167	$3,302	$3,418	$3,510	$3,650	$4,111
No. of Sales	**Region**	**142**	**125**	**136**	**149**	**167**	**270**	**242**	**185**	**102**	**29**
Total Units	**Region**	**10,122**	**10,026**	**11,141**	**10,806**	**14,644**	**25,591**	**21,013**	**15,095**	**11,139**	**1,810**
Avg. Price/Unit	**Region**	**$60,889**	**$64,996**	**$67,903**	**$64,329**	**$75,998**	**$91,858**	**$106,016**	**$113,467**	**$114,341**	**$94,456**
Avg. Price/SF	**Region**	**$82.60**	**$86.46**	**$88.44**	**$88.97**	**$102.93**	**$117.58**	**$135.66**	**$153.74**	**$149.14**	**$119.14**
Avg. Age	**Region**	**1969**	**1973**	**1973**	**1971**	**1974**	**1976**	**1973**	**1971**	**1973**	**1977**
Cap Rate (Act.)	**Region**	**7.9**	**8.0**	**7.6**	**7.3**	**6.4**	**5.7**	**5.3**	**4.9**	**5.4**	**6.3**
Avg. Rent/SF	**Region**	**$0.90**	**$0.96**	**$0.98**	**$0.98**	**$1.00**	**$1.04**	**$1.06**	**$1.11**	**$1.13**	**$1.19**
Avg. Expense/Unit	**Region**	**$3,028**	**$3,244**	**$3,420**	**$3,344**	**$3,563**	**$3,976**	**$3,907**	**$3,958**	**$4,038**	**$4,191**

Source: Online Investment Report [Dupre+Scott] surveyed on 09/28/2009

Conclusion

According to the latest monthly economic indicators published by the Puget Sound Economic Forecaster for September 2009, home ownership has become more affordable now than any time in the last 30 years a result of low interest rates, an oversupply of housing inventory and decreasing prices. This has the effect of narrowing the economic gap between owning vs. renting; potentially capturing existing renters into owners. At the same time, the regional apartment inventory and vacancies are growing along with increased supply and competition from the single family, condominium and condo conversions market that is adding to the overall rental market. All when employment growth is decreasing, which is causing the population to hunker down and double up and share housing. All of these factors are contributing to our forecast that projects vacancy peaking in early 2010 then gradually returning to positive conditions as the economy recovers. The anticipation now is for flat at best rent growth through 2010 until job growth improves and new construction takes a break.

Market Area Definition

The primary market area (PMA) is the geographic area that provides the majority of demand (i.e. renter households) to support multifamily properties. The boundaries of the trade area are determined by a number of factors, including property type, accessibility, physical barriers, location of competing facilities, and limitations of driving time or distance.

Primary Market Area

For this analysis, the combined Kirkland, Bellevue-West and Bellevue-East market areas defined by Dupre+Scott are reasonable for describing the subject's target market. These markets are located within a 15-minute drive zone of the subject and represent the subject's greater competitive market.

Demographic Analysis

Overview

Demographic characteristics vary widely across the region, accordingly, Careful demographic analysis is critical to understanding market depth and demand for housing. Given the large size of the primary market area, little emphasis is placed on the demographic analysis of the secondary market area.

Population

Housing needs are determined by characteristics of existing and projected population. For this analysis, current estimates and forecasts are based on ESRI figures as viewed and reported by STBD.com during December 2009. As shown in the table below, currently there are an estimated 114,288 people living within the PMA, up from 108,954 in 2000. This figure is forecast to grow to 117,819 by 2014, representing an annual growth of .67% between 2009 and 2014 and an average growth of 706 people per year.

Household Size

The table above also shows, the total number of households within the PMA is expected to increase from its current total of 51,257 households to 53,253 households in 2014. The average household size decreased from 2.28 in 2000 to 2.23 in 2009. The number of people per household is forecasted to continue to decrease and is projected to be 2.21 people per household by 2014.

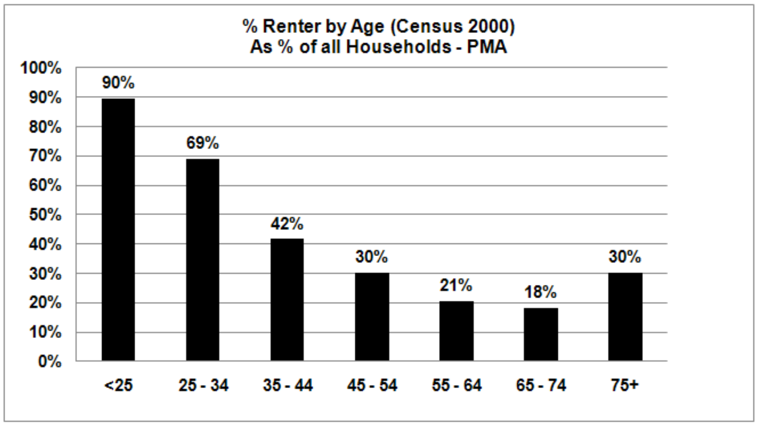
Percentage of Renter Households

As shown in the table below, in subject's PMA, the total number of renter households is forecasted to increase from of 21,509 in 2009 to 22,679 by 2014. This represents a total increase of 1,170 renter households over the next five years. In the 2000 census, renter households accounted for 40.8% of all households. Renter households currently account for 42% of all households and it is forecasted that the percentage of renter households will rise to 42.6% by 2014.

Base Household Demographics - PMA	**Census 2000**	**Estimate 2009**	**Projection 2014**
Households	47,777	51,257	53,253
Percentage Renter	40.8%	42.0%	42.6%
Renter Households	19,470	21,509	22,679
Net New Renter Demand (2009 - 2014)			1,170

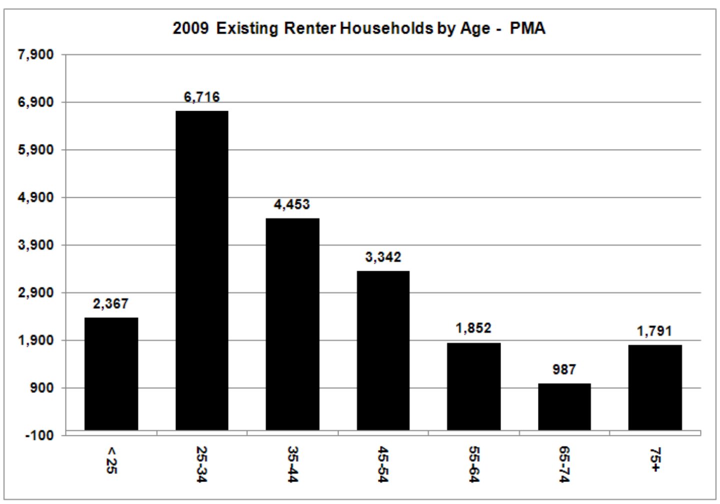
Percentage Renter by Age

As shown in the following graph, the highest concentration of renter households by age is those under 25 years old, with approximately 90% of all households in this age category renting. This concentration gradually drops off as the head of the household gets older and is more likely to own their home. Then the propensity to rent begins to reverse with those over age 75. Overall, it is the households under age 54 that represent the majority of renters.



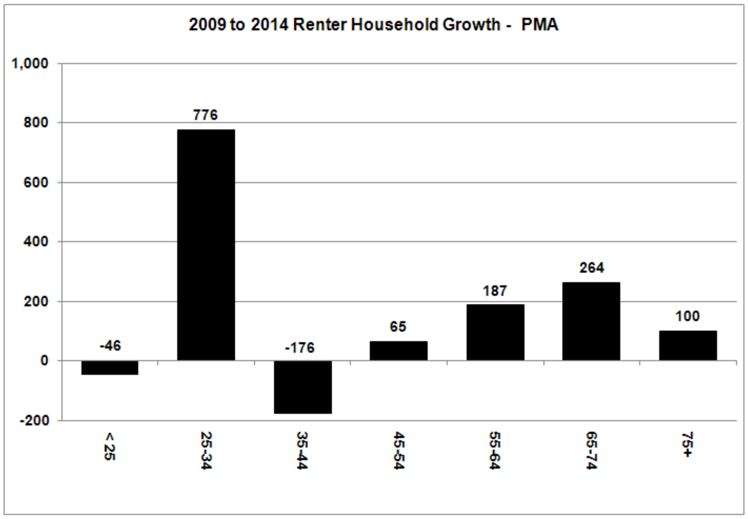
Existing Renter Households by Age

The existing renter households are dominated by three age groups; they are the 25 to 34, 35 to 44, and 45-54 year olds. The 25 to 34 group consist of 6,716 households or 31% of the total renter households; the 35 to 44 age group consists of 4,453 households or 21% of the total renter households; and the 45 to 54 age group consists of 3,342 households or 15% of the total renter households. The graph below shows the number of renter households by age group.



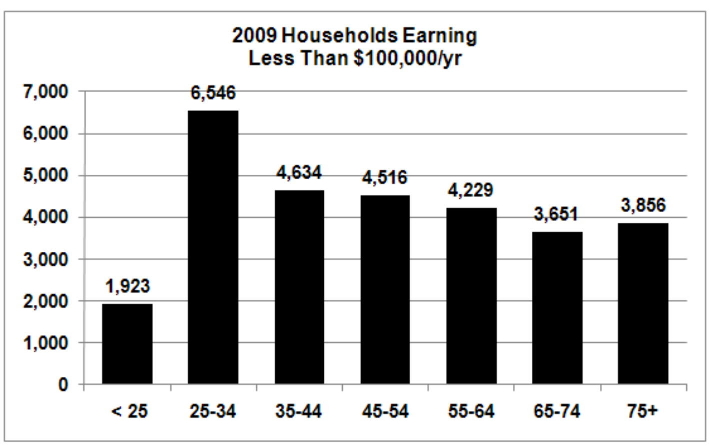
Projected Renter Households by Age

By 2014, the 25-34 year old renter house hold group is expected to increase by 776 renter households to 7,493 and make up 33% of the total renter households within the PMA. The 35-44 age group is forecasted to drop by 176 households, representing 20% of the total renter households. The 45-54 year old group is forecasted to increase slightly by 65 households, making up 15% of the total renter households. The chart below shows the change in population by age group.



Households by Income and Age of Householder

The majority of renter households earn $100,000 or less annually. As household incomes exceed $100,000, the opportunity for renters to qualify for homeownership increases. The Chart below shows the number of households by age category earning less than $100,000.



Apartment Demand

Apartment rental demand in the subject's PMA is driven by two factors:

- Annual change in demand resulting from normal turnover of existing renter households either relocating, or up/downsizing from previously occupied rental units. Historical market data suggests turnover is 50% or higher.

- Annual net new demand resulting from changes in that translates to new household growth.

Apartment Renter Household Definition

For the purposes of this report, apartments renter households are defined as, households renting market rate apartments in buildings with 20 or more units.

Existing Apartment Renter Households

According to Dupree and Scott there are 12,874 apartment renter households within the PMA. This equates to approximately 60% of the 21,509 total renter households.

Projected Apartment Renters Households

For the purposes of this analysis it is assumed that the ratio of apartment renters to total renters remains constant through 2014, at approximately 60%.

As shown in the table below, the number of apartment renters is forecasted to grow from 12,874 households in 2009 to 13,574 households in 2014, an increase of 5% or 140 additional apartment renter households annually.

Base Household Demographics - PMA	Estimate 2009	Projection 2014	Growth Rate 2009-2014
Population	114,288	117,819	3%
Household Size	2.23	2.21	-1%
Households	51,257	53,253	4%
Percentage Renter	42.0%	42.6%	1%
Renter Households	21,509	22,679	5%
Existing Apartment Renter Demand (2009 *	**12,874**	**13,574**	**5%**

** Apartment buildings with 20+ units*

Apartment Demand 2014

As shown in the table below, to determine the existing number of households demanding apartments in 2014, a 50% turnover rate is applied to the total number of existing apartment renter households.

The additional households forecasted to enter the market in 2014 are then added to the existing demand, to arrive at the annual apartment renter household demand in 2014.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual household renter demand. The result of the an annual household renter demand equal to 7,218.

Total Apartment Renter Demand (2014)		
Existing Apartment Renter Household (2009)		12,874
Additional Apartment Renter Households (2009 - 2013)	+	560
Existing Apartment Renter Household (2014)		13,434
Apartment Turnover Rate	x	50%
Existing Apartment Renter Household Demand (2014)		6,717
Additional Apartment Renter Households (2014)	+	140
Total Annual Renter Household Demand (2014)		6,857
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		7,218

Apartment Supply

Existing Inventory

In the PMA there are currently 13,617 apartment units in the PMA. On average, 295 new units have been added to the PMA annually during the last ten years.

Apartment Development

The following table identifies planned, under construction, and recently completed projects within the PMA. According to Dupree and Scott, a large number of units (1,117) are currently under construction and scheduled for completion during the next five quarters. The majority of these are located within the Bellevue Central Business District.

Submarket	Status	Units	Opens	Name	Address	Owner/Developer
Bellevue-East	Planned	21	10/09	Lakes Addition	4220 144th Place NE	Prometheus Real Estate Group
Bellevue-East	Planned	28	12/09	Foothill Commons II	13800 NE 9th Place	Essex Property Trust
Bellevue-East	Planned	90	12/09	Lake Hills Shopping Center	549 156th Avenue SE	Cosmos Development Corp.
Bellevue-West	Under Const.	368	5/08	Avalon Meyendenbauer	340 Bellevue Way NE	Avalon Bay Communities
Bellevue-West	Under Const.	129	9/08	Ten20	1020 108th Avenue NE	Hanover Company
Bellevue-West	Under Const.	202	6/09	Ashton Bellevue	1001 108th Avenue NE	Hanover Company
Bellevue-West	Under Const.	59	9/09	Meydenbauer Inn	211 112th Avenue NE	Mastro Properties
Bellevue-West	Under Const.	296	12/09	Belcarra	1032 106th Avenue NE	BRE Properties
Bellevue-West	Under Const.	299	12/09	Metro 112	317 112th Avenue NE	Simpson Housing
Bellevue-West	Under Const.	274	12/09	Elements Too	909 112th Avenue NE	SU Development MLP
Bellevue-West	Planned	68	2/10	Ventana on Main	10713 Main Street	HMI Real Estate
Bellevue-West	Planned	260	3/11	Bellevue at Main	15 Bellevue Way SE	Equity Residential Properties Trust
Bellevue-West	Planned	400	6/11	Avalon Towers Bellevue	939 Bellevue Way NE	Avalon Bay Communities
Bellevue-West	Planned	147	9/11	Cadillac Site I	1001 106th Avenue NE	Hanover Company
Bellevue-West	Planned	430	12/11	Bellevue Plaza I	139 106th Avenue NE	SU Development MLP
Bellevue-West	Planned	250	3/12	Sea Garden Restaurant Site	200 106th Avenue NE	Legacy Partners Residential Inc.
Bellevue-West	Planned	130	3/12	Main Street Gateway	10328 Main Street	Vander Hoek Corp
Bellevue-West	Planned	66	12/12	Surrey	10777 Main Street	
Bellevue-West	Planned	160	6/13	Cadillac Site II	1001 106th Avenue NE	Hanover Company
Total		**3,677**				

Competing Apartment Supply

To arrive at the total number of units expected to compete with the subject, a 50% turnover rate is applied to the supply of existing apartment units within the PMA. Then new apartment supply forecasted to come on line in 2014, resulting at a total annual competing supply equal to 7,367 units.

Competing Apartment Supply (2014)		
Existing Apartment Supply (2009)		13,617
New Apartment Supply Added (2009 - 2013)	+	1,117
Existing Apartment Supply (2014)		14,734
Apartment Turnover Rate	x	50%
Existing Competing Apartment Supply (2014)		7,367
New Apartment Supply Added (2014)	+	0
Total Annual Competing Supply (2014)		7,367

Existing Vacancy

Apartment construction, reconversions, condo and home rentals, foreclosures, and new condo developments, plus falling demand due to job losses, lower in-migration, and price-competitive home-buying opportunities are weakening the demand for apartments. The vacancy rate for market rate apartment units within the PMA is currently 5.46% or 743 vacant units, out of the total 13,617. The vacancy rate for apartment units built since 2000 within the PMA is currently 5.6%. Vacancy in the three individual markets within the PMA is described in detail below.

Kirkland

Over the past 10 years, the Kirkland submarket's vacancy rate was as high as 9.5% in March 2009 and as low as 3.7% in September 1999. The five-year average is 6.6% and the ten-year average is 6.5%.

Bellevue-West

Vacancy in the Bellevue-West submarket's reached a high as 9.4% in March 2002 and a low of 2.5% in September 1999. The five-year average is 4.7% and the ten-year average is 5.4%.

Bellevue-East

The Bellevue-East submarket's vacancy rate was as high as 9.4% in March 2002 and as low as 2.2% in September 2000. The five-year average is 3.8 % and the ten-year average is 4.7%.

Projected Vacancy

Vacancy in the PMA will reach a high of 8% during 2011 as numerous projects begun during the height of the market come on line. By 2014, the excess supply will be absorbed, and vacancy will begin to rebalance toward historic norms.

Rent Distribution

As shown in the following table, in general studios built after 2000 in the PMA rent for a median of $1,038 per unit ($1.78 per square foot), one-bedrooms for $1,397 per unit ($1.76per square foot), two-bedroom/one-baths for $1,666 per unit ($1.46 per square foot), two-bedroom/two-baths for $1,963 per unit ($1.57 per square foot) and three-bedroom/two-baths for a median $1,521 per unit ($1.74 per square foot).

Typical Market Rate Apartment Unit Mix 2000+

	Unit Distribution*			Unit Size (SF)			Unit Rent ($)		
	Low	Median	High	Low	Median	High	Low	Median	High
Studio	12%	18%	24%	534	584	634	$989	$1,038	$1,086
1 Bedroom	29%	38%	41%	792	795	837	$1,302	$1,397	$1,426
2 Bedroom/1 Bath	5%	5%	5%	1,140	1,140	1,140	$1,508	$1,666	$1,825
2 Bedroom/2 Bath	33%	43%	62%	1,156	1,250	1,258	$1,813	$1,963	$2,020
3 Bedroom/2 Bath	3%	5%	6%	1,476	1,521	1,566	$2,639	$2,646	$2,652

Source: Dupre+Scott, The Apartment Vacancy Report, April 2008

Low = 25% of properties below this level

High = 25% of properties above this level

**Distributions reflect the individual unit types & the cumulative totals are of no meaning.*

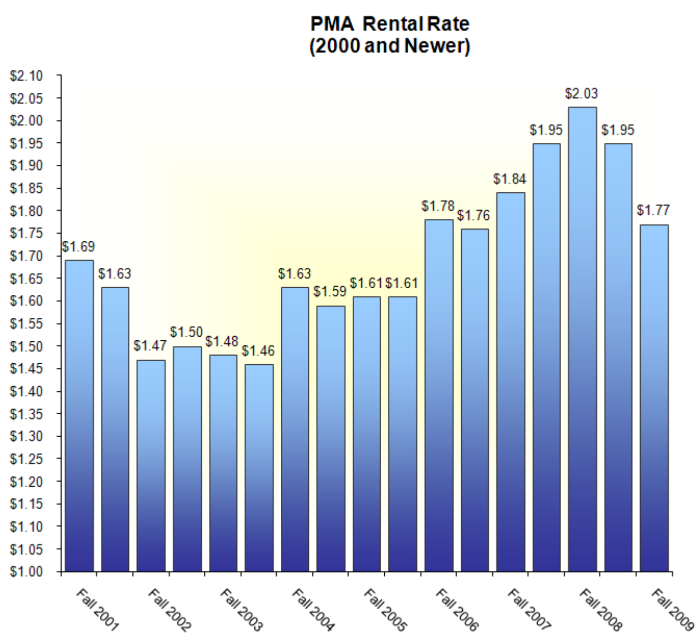
The table below reflects a survey of comparable properties completed in 2009 that illustrate the fact that good quality new construction can achieve higher rental rates when compared to older buildings.

Market Rate Rent Comparisons Built Since 2009

	Metro 112	Echo Lake Village	Meyden-bauer Inn	Circa Green-lake	Taylor 28	Sedjes at Piper Village	Veloce
Age	2009	2009	2010	2009	2009	2009	2009
Number of Stories	12	6	5	4	6	3	6
Location	Bellevue	Seattle	Bellevue	Seattle	Seattle	Seattle	Redmond
Number of Units	299	289	68	199	197	46	32
Average Unit Size	876	831	545	789	920	748	852
Effective Gross Income/SF	$1.84	$1.69	$1.90	$2.02	$2.07	$1.55	$1.56
Effective Gross Income/Unit	$1,612	$1,404	$1,034	$1,594	$1,904	$1,159	$1,329

Rent Trends

The graph below shows that in the fall of 2003 rental rates in the PMA reached the low point for the decade; equal to $1.45 per square foot. Between 2003 and 2008 rates made a steady march upward to a high of $2.05 per square foot, reflecting a 40% increase over five years. As of the fall of 2009 the market had corrected and rental rates stood at $1.75 per square foot.



Projected Rent Forecast

The glut of new inventory coming on line between now and 2012 will put additional downward pressure on rental rates. By 2012 rental rates are expected to return to positive growth.

Subjects Share of Demand

The subject's share of demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject by the total apartment renter household demand. The table below shows the percent of renter household demand that the subject would need to capture to support projects of increasing size.

Newer properties almost always lease up at the expense of older properties. An apartment project constructed at the subject will consist of new units, offering superior amenities, and have a location advantages including immediate access to transit. If priced competitively, it is reasonable to assume that the subject could capture between 2% and 4% of the market demand. If the subject captured 3% of the demand, from a demand perspective, a 217 unit apartment project would be supported in the market.

Subject's Capture of Annual Apartment Renter Demand Sensitivity

Subject's Share	Units
1%	72
2%	144
3%	217
4%	289
5%	361

Unit Mix

According to Dupree and Scott, the most common unit configuration in projects built since 2000, is a one bedroom unit, which represents about 38% of the units in the typical apartment building located in the PMA. Two bedroom units and studio units typically constitute 28% and 24% of the unit mix in the typical building. Other unit types only make up about 10% of the distribution

The following table details the unit configuration of a representative sample of six apartment projects built since 2000, five of which are within the PMA. As shown, one bedroom units constitute 42% of the total units. Two bedroom units and studios constitute 36% and 20% of the total units, respectively. Other unit types only make up 3% of the total distribution.

Project Name	Location	Year Built	No. Units Studio	No. Units 1Bed	No. Units 2bed/ 1bath	No. Units 2bed/ 2bath	No. Units Other
Meydenbauer Apartments	Bellevue	2010	41	25	1	1	0
Borgata Apartments	Bellevue	2001	8	16	8	32	7
Chelsea at Juanita Village	Kirkland	2002	66	71	2	52	0
128 on State	Kirkland	2007	10	11	69	16	18
Veloce	Redmond	2009	36	176	4	107	0
Tera	Kirkland	2000	22	92	18	28	1
Percentage of total			*20%*	*42%*	*11%*	*25%*	*3%*

Size Distribution

The following table details the unit size distribution of a representative sample of six apartment projects built since 2000 located within the PMA. In general, studio sizes range from about 420 to 724 square feet in size, one-bedroom units range from about 666 to 820 square feet, two-bedroom/one-bath units range from 790 to 1,125 square feet, and two-bedroom/two-bath units range from 980 to 1,186 square feet.

Project Name	Location	Year Built	Avg. Size Studio	Avg. Size 1bed	Avg. Size 2bed/ 1bath	Avg. Size 2bed/ 2bath
Meydenbauer Apartments	Bellevue	2010	497sf	666sf	958sf	1,069sf
Borgata Apartments	Bellevue	2001	600sf	685sf	940sf	1,167sf
Chelsea at Juanita Village	Kirkland	2002	540sf	801sf	1,125sf	1,130sf
128 on State	Kirkland	2007	724sf	689sf	790sf	1,186sf
Veloce	Redmond	2009	700sf	742sf	1,020sf	1,071sf
Tera	Kirkland	2000	420sf	820sf	920sf	980sf

Parking

Parking plays a pivotal role in a new project's viability. A project that is over-parked represents funds spent unnecessarily. A project that is under-parked creates a situation where unmet parking demand spills out into the neighborhood resulting in shortages of on-street parking for existing inhabitants.

The vehicles, per renter household ratio in the Seattle neighborhoods averages .84. The ratio in the PMA is 1.35 vehicles per renter household.

A number of studies have been done that provide insight in to how establish the appropriate parking ratio for transit oriented development projects. The following key research findings can be useful in understanding the demand for parking.

TOD residents are typically young professionals, singles, retirees, childless, households, and immigrants from foreign countries.. These groups tend to require less housing space than traditional "nuclear families", and are more likely to live in attached housing units for financial and convenience reasons, regardless of where the units are located.. Most TOD residents tend to work downtown and in other locations that are well served by transit.

Other factors affect car ownership much more than transit proximity. They are household income; number of people in a household; and the size of dwelling units. Households in the highest income category are likely to own twice as many cars as households in the lowest income category, even in areas that are well served by transit. Most surveyed TOD residents were in the moderate to low-income categories.

Studies suggest that parking reductions are feasible for multifamily rental units with smaller households (e.g., young couples, singles, empty nesters) and where a significant share of workers is likely to use transit to get to key employment centers. An example of TOD parking ratio reductions is the City of Vancouver, BC's policy that allows parking reductions ranging from 14% to 28% for new projects in multifamily zones near major transit stations (Skytrain).

Parking ratios for market rate multifamily residential buildings located at the subject can be lower than the average parking ratio in the PMA. Data from other local TOD projects supports a reduction in parking ratios. Given the level of transit service at the site and the potential to utilize the adjoining park and ride lot during off-hours. It is reasonable to think 25% reduction in parking, from the market 1.35 vehicles per household, to 1.0 space per household unit is feasible.

Recommended Unit Mix and Size

A well accepted apartment development risk management practice involves creating a range units sizes and configurations to attract a broader market. Based on the forecasted demographics and comparable projects recently built within the PMA, the recommended unit mix and size distribution, for a market rate apartment project at the subject is shown in the table below.

Unit Type	Unit Mix	SF/Unit
Studio	24%	560
1 Bedroom/1 Bath	44%	700
2 Bedroom/2 Bath	32%	1,000
Overall Project Avg.	*100%*	*762*

Affordable Housing Market Overview

Introduction

Affordability is a relative term, defined by HUD as paying 30% or less of a household's income toward housing including utilities. According to HUD, households that pay more than 30% of their income are cost-burdened and households that pay more than 50% are severely cost burdened.

Affordable housing programs may have different definitions of affordability and income limit categories used to determine an applicant's eligibility for a program or property. Generally, affordable housing includes any housing that is affordable to households earning 80% or less of the area median income (AMI). The following table describes the general nature of the income categories and common programs used in financing the categories.

	Income Category		
	Min	Max	Typical Program
Extremely Low Income	none	30%	Public Housing
Very Low Income	31%	50%	Most Tax Credit
Low Income	51%	80%	Some Tax Credit, Workforce
Moderate Income	81%	120%	
Upper Income	120%+		

Summary of Major Affordable Housing Programs

The affordable housing market is made up of several programs that essentially fall into two categories; HUD programs (public) and Low Income Housing Tax Credit (LIHTC) housing. The HUD sponsored programs date back to the post war era and have a federal focus. In 1986, the LIHTC program was established to promote private investment in affordable housing and has since become the largest affordable housing market. In the current political climate, production of new units under the old programs has been limited. The focus has trended toward preservation of existing housing, privatization of development with decisions on housing made at the state and local levels.

HUD Assisted Programs

Major HUD assisted programs include but are not limited to the following:

Section 8 Certificate & Voucher Program

This is a HUD rent subsidy administered by the local government or local housing authorities. This program pays property owners the difference between 30% of a tenant's income and the unit rent or payment standard, whichever is lower. This program can be either project based (applied to an entire building) or in the form of vouchers given to income qualified rental households. In general, the tenant's income cannot exceed 50% of the area's median income (AMI) adjusted for family size, with exceptions up to 80% AMI. In practice, most participants have incomes less than 30% AMI.

Public Housing

Public Housing is generally operated by the local or regional housing authority, where capital costs and some of the operating costs are fully subsidized. The rent charged is based on the same formula used for HUD Section 8 assistance.

Section 202 (Elderly) & Section 811 (Disabled)

A federal program, limited to non-profit organizations, which provides affordable housing targeting elderly or disabled households (who have incomes not exceeding 50% of AMI) that combine 100% financing and Section 8 rent subsidies.

HUD 236 Program

A federal program that subsidizes the interest payments on mortgages for rental or cooperative housing owned by private nonprofit or limited-profit landlords and rented to low-income tenants.

Hope VI Program

These are project specific grants to public housing agencies to demolish, rehabilitate or replace existing distressed public housing and promote mixed income developments. In the Puget Sound, several HOPE IV redevelopments have been developed including the NewHolly, High Point, Rainier Vista, Greenbridge and Salishan redevelopments. These are very large projects that typically combine tax credit housing with private investment and other forms of subsidy.

Rural Development Program

Formerly known as the Farmers Home Administration Section 515 Rural Rental Housing Program, Rural Development (RD) is regulated by the USDA. It is a federal program that provides low interest loans to finance housing that serves low income persons in rural areas who pay 30% of their adjusted income on rent or the basic rent, whichever is higher but not exceeding market rent. Basic rent is the rent needed to pay operating and maintenance expenses plus the mortgage payment and is calculated annually by USDA RD. The program may include property-based rental assistance and interest reduction contracts to write down the interest on the loan to a rate as low as 1 percent.

Summary of the LIHTC Program

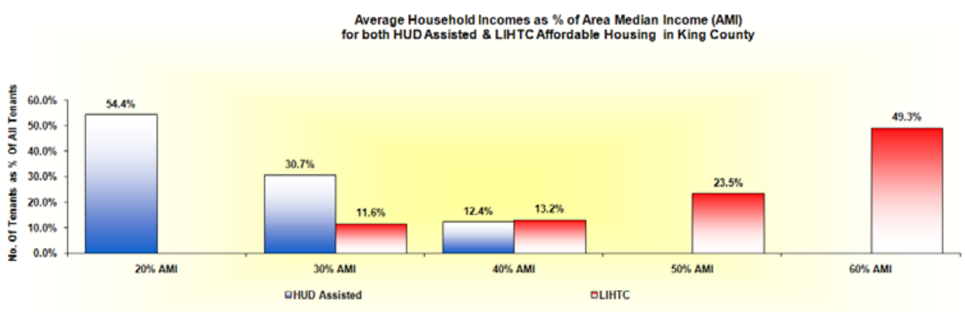
The Low Income Housing Tax Credit (LIHTC) program was established in 1986 by Section 42 of the Internal Revenue Code. Under this program, tax credits are allocated to a project based on the number of qualified low income units and the costs of development. These tax credits run ten years and offset income tax liability of the investing limited partners. These credits are typically sold (in the form of a limited partnership interest) to private investors for a dollar-for-dollar credit against federal income tax. In return, the property owners agree to indirectly subsidize rents for low-income tenants by restricting rents to maximums that are approved annually by the Department of Housing and Urban Development (HUD).

In order to qualify for the LIHTC program, several conditions must be met. First, the project owner must allocate at least 20% of the units to households within incomes at or below 50% of AMI or must allocate 40% of the units to households at or below 60% of AMI. In addition to the tenant income qualifications, the rent charged is based on 30% of the income limit for the household occupying each unit. Additionally, for utilities not provided, the rent limit must be adjusted downward by a utility allowance established by HUD or the Local Housing Authority for each unit type.

The tax credits are allocated over the first 10-year period; however, the low-income restrictions typically run for a minimum period of 30 years; an initial 15 year compliance period required by the IRS and an additional 15 year period referred to as the extended low-income use period. During the compliance period, failure to adhere to the program specifications or reduction in the number of low income units on which the credit is based will result in recapture penalties

Affordable Housing Residency Characteristics

The income distribution profiles between renters of LIHTC properties and HUD assisted housing differ substantially. HUD projects tend to be supported by housing subsidies to extremely low-income residents. As shown in following figure, nearly 90% of renter households in HUD assisted housing earn less than 30% of the area median income (AMI). These renters generally consist of low-income families and seniors who receive rent subsidies from the government. LIHTC properties on the other hand, generally tend to reflect residents who earn from 30% to 60% of the area median income and are capable of meeting the rent requirements without rental subsidies. As shown, over 70% of the LIHTC units in King County target households at the 50% and 60% of AMI.



The following tenant residency characteristics were compiled from the Picture of Affordable Housing survey and database prepared by HUD for the year 2000. The survey is based on 4.9 million households that reside in HUD assisted housing (including the universe of housing such as LIHTC, public housing, project based section 8 and other multifamily programs). In general, the various markets have similar trends across categories. Data was available at the census tract level and is grouped by market areas as follows:

Characteristics From Affordable Housing Survey Database

	Tri-County	King Co	Sno. Co.	Pierce Co.	King-East
Average HH Size	2.42	2.35	2.73	2.28	2.01
People Served	76,800	50,000	13,100	13,700	4,600
% Avg. HH Income from wages	30%	29%	36%	27%	30%
% Avg. HH Income from welfare	15%	15%	15%	15%	11%
% of Avg HH Income to Median Family I	22%	21%	22%	25%	23%
% of HH with incomes below 50% AMI	96%	97%	96%	95%	94%
% of HH with incomes below 30% AMI	79%	82%	76%	73%	78%
% of HH with 2 adults and 1 or more chi	17%	16%	22%	13%	14%
% of single parent HH with children	34%	31%	41%	35%	30%
% of HH headed by a female	74%	72%	77%	80%	72%
% of HH headed by female with children	43%	40%	51%	44%	36%
% of HH with disability (over age 62)	42%	44%	34%	43%	41%
% of HH with disability (under age 62)	38%	35%	34%	49%	23%
% of HH under age 24	6%	5%	11%	6%	5%
% of HH age 25 to 50	56%	56%	60%	55%	48%
% of HH age 51 to 60	13%	14%	10%	13%	11%
% of HH age 62 and older	24%	26%	20%	25%	36%
% of HH age 85 and older	3%	3%	2%	3%	4%
Average months on waiting list	28	29	21	31	37

Source: Analysis by GVAKM, data from Picture of Subsidized Households 2000

Regional Affordable Housing Inventory

The following table depicts the regional affordable housing inventory for King, Pierce & Snohomish counties as of 2007. As shown, there is a current affordable housing estimate of 48,462 units represented by 722 individual apartment projects. Of this total, 62% (30,007 units) operate under the tax credit program compared to 41% (19,937 units) that operate under the various HUD assisted programs. It should be noted that some projects operate under multiple housing programs at the same time, resulting in overlap among categories. As such, the sum of LIHTC and HUD projects exceeds 100%.

RESTRICTED RENT COMPETITIVE SUPPLY

Market Area	No. of Proj	All Units	LIHTC Units	HUD Assisted	Both HUD & LIHTC	LIHTC Only	Other Units
King Co	507	35,083	21,729	15,500	4,295	17,434	2,149
Pierce Co	100	6,099	3,343	1,870	153	3,190	1,039
Snohomish Co	115	7,280	4,935	2,567	730	4,205	508
Tri-County	722	48,462	30,007	19,937	5,178	24,829	3,696

Workforce Housing

Another segment worth mentioning is the relatively new term known as workforce housing. This is housing intended to appeal and be affordable to members of the workforce such as police officers, teachers, nurses and medical technicians. It generally refers to single-family detached homes for sale at prices that workforce families can afford and is generally located in or near employment centers. However, workforce families often seek alternative housing opportunities in rental apartments, including subsidized housing.

Noteworthy Trends

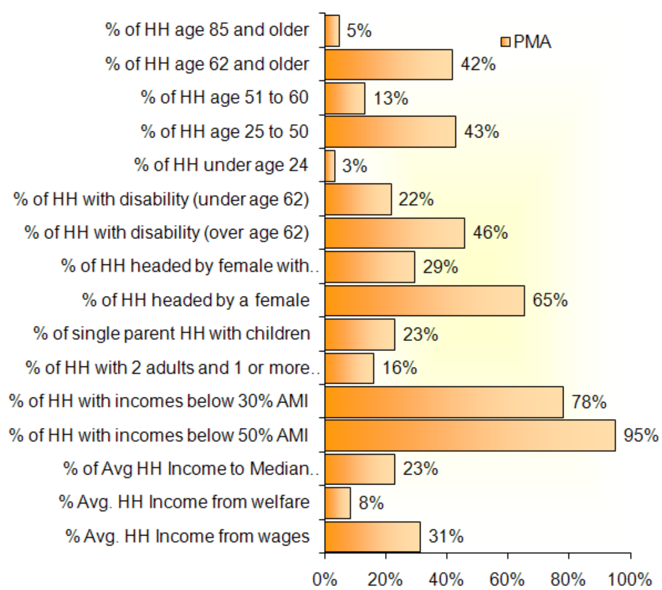
Nationally, the trend in recent years has favored privatization and the tax credit program, while little expansion has occurred in the other affordable housing programs. In fact, many of the older HUD programs represent projects built in the 1960s through 1980s, with many in danger of falling out of the affordable housing pool as their compliance & mortgage periods come to an end. Many non profits and local housing authorities have now turned to the tax credit program as a means to acquire monies needed to cure deferred maintenance and assure these properties remain in the affordable rental housing pool.

The areas considered most likely to be developed with affordable housing tend to be those areas with easy proximity and access to employment, services, shopping and transit. This trend is anticipated to continue in the future.

Family Affordable Housing

PMA Affordable Housing Residency Characteristics

The affordable housing residency characteristics for the PMA are presented in the graph below. This graph shows that in the year 2000, almost 95% of affordable housing residents made less than 50% of AMI and almost 80% made less than 30% of AMI.



The chart below illustrates that the the average affordable household size within the PMA is only 1.91 people. This compares to 2.35 people per affordable household in King County. The chart also illustrates the lack of affordable housing in the PMA. The average waiting list for affordable housing units within the PMA in 2000 was 45 months, compared to an average of only 29 months in King County.

Characteristics From Affordable Housing Survey Database

	Tri-County	King Co	Sno. Co.	Pierce Co.	King-East	PMA
Average HH Size	2.42	2.35	2.73	2.28	2.01	1.91
People Served	76,800	50,000	13,100	13,700	4,600	1,900
% Avg. HH Income from wages	30%	29%	36%	27%	30%	31%
% Avg. HH Income from welfare	15%	15%	15%	15%	11%	8%
% of Avg HH Income to Median Family I	22%	21%	22%	25%	23%	23%
% of HH with incomes below 50% AMI	96%	97%	96%	95%	94%	95%
% of HH with incomes below 30% AMI	79%	82%	76%	73%	78%	78%
% of HH with 2 adults and 1 or more chi	17%	16%	22%	13%	14%	16%
% of single parent HH with children	34%	31%	41%	35%	30%	23%
% of HH headed by a female	74%	72%	77%	80%	72%	65%
% of HH headed by female with children	43%	40%	51%	44%	36%	29%
% of HH with disability (over age 62)	42%	44%	34%	43%	41%	46%
% of HH with disability (under age 62)	38%	35%	34%	49%	23%	22%
% of HH under age 24	6%	5%	11%	6%	5%	3%
% of HH age 25 to 50	56%	56%	60%	55%	48%	43%
% of HH age 51 to 60	13%	14%	10%	13%	11%	13%
% of HH age 62 and older	24%	26%	20%	25%	36%	42%
% of HH age 85 and older	3%	3%	2%	3%	4%	5%
Average months on waiting list	28	29	21	31	37	45

Source: Analysis by GVAKM, data from Picture of Subsidized Households 2000

Minimum and Maximum Qualifying Incomes

In addition to qualifying under the income restriction, rents are limited to maximums based on the unit type, number of people per unit and affordability factor (lease to income ratio of 30%). The following table summarizes the maximum allowed tax credit rent at the subject and the maximum qualifying income based on the subject's income restrictions & utility basis. Also shown is an estimate of the minimum income required to afford the rent payment, assuming a reasonable lease-to-income ratio of 50%. It is important to note this percentage can vary depending on the program, lender or owner/manager.

Unit Mix	Maximum LIHTC* Rent/Mo	Maximum Qualifying Income	Minimum Qualifying Income
30% AMI			
Studio	$442	$17,700	$10,608
1-Bedroom	$474	$18,960	$11,376
2-Bedroom/2 Bath	$569	$22,770	$13,656
40% AMI			
Studio	$590	$23,600	$14,160
1-Bedroom	$632	$25,280	$15,168
2-Bedroom/2 Bath	$759	$30,360	$18,216
50% AMI			
Studio	$737	$29,500	$17,688
1-Bedroom	$790	$31,600	$18,960
2-Bedroom/2 Bath	$948	$37,950	$22,752
60% AMI			
Studio	$885	$35,400	$21,240
1-Bedroom	$948	$37,920	$22,752
2-Bedroom/2 Bath	$1,138	$45,540	$27,312

**Maximum qualifying income published by the WSHFC*

As shown in the chart below, the income range of renter households considered appropriate for the subject's units ranges from $10,500 to $23,000/year for units restricted to 30% AMI, $14,000 to $30,500/ year for units restricted to 40% AMI,

$17,500/year to $38,000/ year for units restricted to 50% AMI, and from $21,000 to $45,500/year for units restricted to 60% AMI.

Restricted Income	Maximum Qualifying Income	Minimum Qualifying Income
30% AMI	$23,000	$10,500
40% AMI	$30,500	$14,000
50% AMI	$38,000	$17,500
60% AMI	$45,500	$21,000

** Rounded to the Nearest $500*

Affordable Renter Households

The total number of households that qualify between 30% and 60% AMI within the PMA is currently 4,415. This number is forecasted to increase by 48 households annually over the next five years, to a total of 4,655 households in 2014.

Affordable Renter Household Demand 2014

As shown in the table below, to determine the existing number of income qualified households demanding affordable apartments in 2014, a 50% turnover rate is applied to the total number of existing affordable apartment renter households.

The additional income qualified households forecasted to enter the market in 2014 are then added to the existing demand, to arrive at the annual income qualified apartment renter household demand in 2014.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual demand.

Income Qualified Renter Household Demand (30% - 60% AMI)		
Existing Renter Household (2009)		4,415
Additional Renter Households (2009 - 2013)	+	192
Existing Renter Household (2014)		4,607
Turnover Rate	x	50%
Existing Renter Household Demand (2014)		2,303
Additional Renter Households (2014)	+	48
Total Annual Renter Household Demand (2014)		2,351
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		2,475

Subjects Share of Annual Renter Demand

The subject’s fair share of demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject by the total income qualified apartment renter household demand.

The table below shows the percent of renter household demand that the subject would need to capture to support projects of increasing size.

Subject's Capture of Annual Renter Demand Sensitivity	
Subject's Share	Units
3%	74
5%	124
7%	173
10%	248
15%	371

Newer properties almost always lease up at the expense of older properties. An apartment project constructed at the subject will consist of new units, offering superior amenities, and have a location advantages including immediate access to transit.

It is reasonable to assume that the subject's fair share of demand would be between 5% and 10%. If the subject captured 7%, from a demand perspective, a 173 unit apartment project would be feasible.

Market Capture and Market Penetration Rate

A common technique used by affordable housing analysts is to measure the penetration rate and market capture based on existing demand. For this analysis, as suggested by the demand sensitivity analysis above, a project size of 173 units is used.

Capture Rate

The capture rate is the ratio of income qualified renter households in the PMA that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject, by the number of income qualified renter households.

Typically, the smaller the rate, the better the chance to lease up quickly and remain occupied over time. The rule of thumb used by analysts and market participants is that if a development needs to capture more than 10% of the qualified market, the project carries some additional risk.

As shown in the table below if 173 units, restricted to 30%-60% AMI qualified renters were built at the subject, the capture rate would only be 4%. As the income qualification levels narrow however, the capture rate increases, rising to a maximum of 12% at the 30% AMI level.

Subject Capture Rate - PMA	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI	30% to 60%
Subject Units	173	173	173	173	173
Income Qualified Renter Households	1,392	2,079	2,696	3,271	4,415
Subject Capture Rate	**12%**	**8%**	**6%**	**5%**	**4%**

Penetration Rate

The penetration rate is the ratio of the existing affordable inventory to net income qualified renter demand. When the penetration rate reaches 100 percent (considered the saturation point) or greater, there is no longer demand to support additional units. A penetration rate below 100% indicates unmet demand.

In the subject's PMA there are 1,076 existing affordable units, plus the subject's potential 173 affordable units, for a total of 1,249 affordable units. As shown in the chart below, if the subject has a range of income restrictions from 30% to 60% AMI, the market penetration rate would be about 24%. This equates to a potential unmet demand of 3,166 affordable units.

Market Penetration Rate - PMA	**@ 30% AMI**	**@ 40% AMI**	**@ 50% AMI**	**@ 60% AMI**	**30% to 60%**
Existing Affordable Inventory in PMA	331	42	195	508	1,076
Subject Units	173	173	173	173	173
Total Affordable Inventory	504	215	368	681	1,249
Income Qualified Renter Households	1,392	2,079	2,696	3,271	4,415
Market Penetration Rate	**36%**	**10%**	**14%**	**21%**	**24%**

Summary

The table below summarized the income qualified renter demand, existing affordable inventory, and market penetration.

NET RENTER DEMAND BY INCOME, AGE & ABILITY TO AFFORD THE RENT - PMA

Base Household Demographics	Census 2000	Estimate 2009	Projection 2014
Population	108,954	114,288	117,819
Household Size	2.28	2.23	2.21
Households	47,777	51,257	53,253
Percentage Renter	40.8%	42.0%	42.6%
Renter Households	19,470	21,509	22,679
Existing Renter Demand (2009)	21,509		
Net New Renter Demand (2009 - 2014)	1,170		

Existing Renter Households by Age & Income 2009

	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	296	239	123	118	49	55	449
$15,000 - $24,999	195	275	127	111	55	52	426
$25,000 - $34,999	251	355	192	98	64	62	340
$35,000 - $49,999	229	574	347	179	111	90	487
$50,000 - $74,999	555	1,478	793	447	278	159	529
$75,000 - $99,999	238	1,355	638	559	333	158	548
$100,000 - $149,999	173	1,025	815	640	364	129	412
$150,000 - $199,999	103	351	485	338	166	70	289
$200,000 - $249,999	40	145	165	203	113	24	161
$250,000 - $499,999	24	150	207	208	85	60	219
$500,000 +	7	41	79	79	34	21	67
Total	2,110	5,989	3,971	2,980	1,651	880	3,927

Projected Net New Renter Households by Age & Income (2009 - 2014)

	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	8	32	-2	-12	-2	10	40
$15,000 - $24,999	-12	11	-15	-14	-2	5	-11
$25,000 - $34,999	-33	9	-36	-17	-9	2	-25
$35,000 - $49,999	-9	52	-40	-10	-2	16	7
$50,000 - $74,999	-22	46	-131	-56	-11	23	-7
$75,000 - $99,999	-21	-37	-120	-84	-17	19	-9
$100,000 - $149,999	56	432	147	137	110	81	146
$150,000 - $199,999	-7	59	15	32	41	34	23
$200,000 - $249,999	-4	16	-21	6	12	8	8
$250,000 - $499,999	2	57	36	58	34	27	32
$500,000 +	0	15	11	17	13	10	14
Total	-41	691	-158	57	166	235	219

Maximum Qualifying Gross Income Per Year[1]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$17,700	$23,600	$29,500	$35,400
1-Bedroom	$18,960	$25,280	$31,600	$37,920
2-Bedroom/2 Bath	$22,770	$30,360	$37,950	$45,540
Total				

Estimated Achievable Restricted Rent[2]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$442	$590	$737	$885
1-Bedroom	$474	$632	$790	$948
2-Bedroom/2 Bath	$569	$759	$948	$1,138
Total				

Minimum Qualifying Gross Income Per Year[3]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$10,608	$14,160	$17,688	$21,240
1-Bedroom	$11,376	$15,168	$18,960	$22,752
2-Bedroom/2 Bath	$13,656	$18,216	$22,752	$27,312
Total				

Income Qualifying Range based on Ability to Pay[4]

@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
$10,500	$14,000	$17,500	$21,000
$23,000	$30,500	$38,000	$45,500

Existing Net Income Qualifying Renter Households by Age & Income 2009[5]

	< 25	25-34	35-44	45-54	55-64	65-74	75+
@ 30% AMI	244	292	139	124	59	58	475
@ 40% AMI	352	486	241	173	94	90	642
@ 50% AMI	443	676	357	217	128	119	757
@ 60% AMI	489	867	485	268	164	146	851
30% to 60% AMI	695	1,104	599	370	212	194	1,241

Market Penetration Rate - PMA	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI	30% to 60%
Existing Affordable Inventory in PMA	331	42	195	508	1,076
Total Affordable Inventory	331	42	195	508	1,076
Income Qualified Renter Households	1,392	2,079	2,696	3,271	4,415
Market Penetration Rate	**24%**	**2%**	**7%**	**16%**	**24%**

Notes:
[1] Maximum qualifying income published by the WSHFC
[2] Estimated Achievable Rent determined later in this analysis
[3] Minimum qualifying income based 50% lease to income ratio applied to the estimated achievable rent
[4] Minimum & maximum qualifying income rounded to the nearest $500
[5] Net qualifying demand based on linear interpolation of the cumulative renter household by age & income

Parking

Affordable apartment projects tend to have lower parking demand than market rate projects. A good example is King County's Village at Overlake, a 308 unit affordable family project, serving the affordable to household earning 60% of the area's median income. Currently, the residents have 0.6 vehicles per unit. While an affordability standard or unit mix has not been established for development on the subject, for preliminary planning purposes a parking ratio equal to .75 spaces per unit is appropriate.

Recommended Unit Mix & Size Distribution

Modern mixed income apartment projects do not differentiate between market rate and affordable unit mix and size distribution. Accordingly, the same mix and distribution established for market rate apartments at the subject is appropriate.

The chart below outlines the suggested unit mix for the subject property.

Unit Type	Unit Mix	SF/Unit
Studio	24%	560
1 Bedroom / 1 Bath	44%	700
2 Bedroom / 2 Bath	32%	1,000
Overall Project Avg.	*100%*	*762*

Senior Affordable Housing

Introduction

Although the FHAct was amended in 1988 to prohibit discrimination on the basis of disability and familial status, Congress intended to preserve housing specifically designed to meet the needs of senior citizens. Housing that meets the FHAct definition of "housing for older persons" is exempt from the law's familial status requirements provided that:

- HUD has determined that the dwelling is specifically designed for and occupied by elderly persons under a Federal, State or local government program or
- It is occupied solely by persons who are 62 or older or
- It houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house persons who are 55 or older.

Therefore, housing that satisfies the legal definition of senior housing or housing for older persons described above, can legally exclude families with children. Source: Housing and Urban Development

Income Qualified Renter Households by Age & Income

The following table summarizes the number of renter households by qualifying income and age existing today in the PMA. Of the 4,415 income qualified renter households at 30% to 60% AMI (all ages) within the PMA, 1,648 are qualified to rent units dedicated as affordable senior housing. Over the next five years, the number of income qualified senior renter households is forecasted to increase by 18 households annually, for a total of 1,737 households in 2014.

NET RENTER DEMAND BY INCOME, AGE & ABILITY TO AFFORD THE RENT - PMA

Base Household Demographics	Census 2000	Estimate 2009	Projection 2014
Population	108,954	114,288	117,819
Household Size	2.28	2.23	2.21
Households	47,777	51,257	53,253
Percentage Renter	40.8%	42.0%	42.6%
Renter Households	19,470	21,509	22,679
Existing Renter Demand (2009)	21,509		
Net New Renter Demand (2009 - 2014)	1,170		

Existing Renter Households by Age & Income 2009

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	1,330	296	239	123	118	49	55	449
$15,000 - $24,999	1,242	195	275	127	111	55	52	426
$25,000 - $34,999	1,361	251	355	192	98	64	62	340
$35,000 - $49,999	2,018	229	574	347	179	111	90	487
$50,000 - $74,999	4,239	555	1,478	793	447	278	159	529
$75,000 - $99,999	3,828	238	1,355	638	559	333	158	548
$100,000 - $149,999	3,558	173	1,025	815	640	364	129	412
$150,000 - $199,999	1,801	103	351	485	338	166	70	289
$200,000 - $249,999	851	40	145	165	203	113	24	161
$250,000 - $499,999	953	24	150	207	208	85	60	219
$500,000 +	327	7	41	79	79	34	21	67
Total	21,509	2,110	5,989	3,971	2,980	1,651	880	3,927

Projected Net New Renter Households by Age & Income (2009 - 2014)

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	75	8	32	-2	-12	-2	10	40
$15,000 - $24,999	-38	-12	11	-15	-14	-2	5	-11
$25,000 - $34,999	-108	-33	9	-36	-17	-9	2	-25
$35,000 - $49,999	13	-9	52	-40	-10	-2	16	7
$50,000 - $74,999	-158	-22	46	-131	-56	-11	23	-7
$75,000 - $99,999	-270	-21	-37	-120	-84	-17	19	-9
$100,000 - $149,999	1,109	56	432	147	137	110	81	146
$150,000 - $199,999	197	-7	59	15	32	41	34	23
$200,000 - $249,999	25	-4	16	-21	6	12	8	8
$250,000 - $499,999	246	2	57	36	58	34	27	32
$500,000 +	80	0	15	11	17	13	10	14
Total	1,170	-41	691	-158	57	166	235	219

Maximum Qualifying Gross Income Per Year[1]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$17,700	$23,600	$29,500	$35,400
1-Bedroom	$18,960	$25,280	$31,600	$37,920
2-Bedroom/2 Bath	$22,770	$30,360	$37,950	$45,540
Total				

Estimated Achievable Restricted Rent[2]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$442	$590	$737	$885
1-Bedroom	$474	$632	$790	$948
2-Bedroom/2 Bath	$569	$759	$948	$1,138
Total				

Minimum Qualifying Gross Income Per Year[3]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$10,608	$14,160	$17,688	$21,240
1-Bedroom	$11,376	$15,168	$18,960	$22,752
2-Bedroom/2 Bath	$13,656	$18,216	$22,752	$27,312
Total				

Income Qualifying Range based on Ability to Pay[4]

	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Minimum Qualifying Income	$10,500	$14,000	$17,500	$21,000
Maximum Qualifying Income	$23,000	$30,500	$38,000	$45,500

Existing Net Income Qualifying Renter Households by Age & Income 2009[5]

	Total	55-64	65-74	75+
@ 30% AMI	593	59	58	475
@ 40% AMI	827	94	90	642
@ 50% AMI	1,004	128	119	757
@ 60% AMI	1,162	164	146	851
30% to 60% AMI	1,648	212	194	1,241

Market Penetration Rate - PMA	30% to 60%
Existing Affordable Inventory in PMA	434
Income Qualified Renter Households	1,648
Market Penetration Rate	26%

Notes:

[1] Maximum qualifying income published by the WSHFC

[2] Estimated Achievable Rent determined later in this analysis

[3] Minimum qualifying income based 50% lease to income ratio applied to the estimated achievable rent

[4] Minimum & maximum qualifying income rounded to the nearest $500

[5] Net qualifying demand based on linear interpolation of the cumulative renter household by age & income

Senior Turnover Rate

Senior unit turnover is lower than turnover for family units. Market data suggests that turnover rate in senior housing units ranges from 30% to 40%, accordingly the recommended turnover rate for a senior project at the subject is 35%.

Affordable Senior Renter Household Demand 2014

As shown in the table below, to determine the existing number of income qualified households demanding affordable apartments in 2014, a 35% turnover rate is applied to the total number of existing income qualified senior renter households.

The additional income qualified senior households forecasted to enter the market in 2014 are then added to the existing demand, to arrive at the annual income qualified senior renter household demand in 2014.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual demand.

Income Qualified Senior Renter Household Demand (30% - 60% AMI)		
Existing Renter Household (2009)		1,648
Additional Renter Households (2009 - 2013)	+	72
Existing Renter Household (2014)		1,719
Turnover Rate	x	35%
Existing Renter Household Demand (2014)		602
Additional Renter Households (2014)	+	18
Total Annual Renter Household Demand (2014)		620
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		652

Subjects Share of Annual Renter Demand

The subject's share of demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject by the total income qualified apartment renter household demand.

The table below shows the percent of renter household demand that the subject would need to capture to support projects of increasing size.

Subject's Share of Annual Renter Demand Sensitivity

Subject's Share	Units
10%	65
20%	130
30%	196
40%	261
50%	326

Newer properties almost always lease up at the expense of older properties. An apartment project constructed at the subject will consist of new units, offering superior amenities, and have a location advantages including immediate access to transit.

It is reasonable to assume that the subject's share of demand would be between 20% and 40%. If the subject captured 30%, from a demand perspective, a 196 unit apartment project would be feasible.

Although high, capturing 30% of market demand would be reasonable for two reasons:

1. A senior project at the subject will likely draw demand from outside the PMA.
2. There is enough unmet demand for affordable senior housing within the PMA (1,214 households) to justify a project of this size.

It should be noted, that because the subject is capturing 30% of the demand for senior affordable housing in any given year, it is important to watch the introduction of new projects.

Penetration Rate

The penetration rate is the ratio of the existing affordable inventory to net income qualified renter demand. When the penetration rate reaches 100 percent (considered the saturation point) or greater, there is no longer demand to support additional units. A penetration rate below 100% indicates unmet demand.

In the subject's PMA there are 434 existing affordable units at the 30% - 60% AMI level, plus the subject's potential 196 affordable units, for a total of 630 affordable senior units. As shown in the chart below, if the subject has a range of income restrictions from 30% to 60% AMI, the market penetration rate would be about 38%. This equates to a potential unmet demand of 1,018 affordable units.

Market Penetration Rate - PMA	**30% to 60%**
Existing Affordable Inventory in PMA	434
Subject Units	196
Total Affordable Inventory	630
Income Qualified Renter Households	1,648
Market Penetration Rate	38%

Parking Ratio

The table below is lists the parking ratios for seven affordable senior properties operated by the King County Housing Authority. The ratios range for no parking to one space per unit. The average parking ratio is .43 spaces per unit.

Name	**Location**	**No. of Units**	**Parking Stalls**	**Stalls/ Unit**
Paramount House	Sholine	70	18	0.26
Mardi Gras	Kent	61	61	1.00
Plaza Seventeen	Auburn	70	28	0.40
Riverton Terrace	Tuckwila	30	14	0.47
Brittany Park	Normandy Park	43	16	0.37
Gustaves Manor	Auburn	35	0	0.00
Munro Manor	Burien	60	30	0.50
			Average	0.43

Unit Mix & Size Distribution

The following table illustrates the unit mix distribution found in comparable affordable senior apartment's age 2000 and newer. In general, one bedroom units in senior projects range between 520 and 620 square feet and two-bedroom units range between 685 to 800 square feet.

Affordable Senior Housing Comparable

Project Name	Location	AMI Range	Number of 1 Bed/Units	Avg. SF/ 1 Bed Unit	Number of 2 Bed/Units	Avg. SF/ 2 Bed/Units	Other Units
Woodlands at Forest Lake	Kirkland	50%-60%	87	620	23	701	0
Esperanza	Seattle	60%	84	550	0	NA	0
Angel Lake	Seattle	50%-60%	63	540	17	685	0
Cabrini	Seattle	30%-60%	49	520	1	740	0
Mitchell Place	Federal Way	40%	40	600	10	800	0
Echo Lake	Seattle	60%	124	553	70	680	6

Recommended Unit Mix & Size Distribution

The chart below outlines the suggested unit mix, size distribution and parking ratio for an affordable senior project built on the subject. This unit mix is based conversations with market participants and a study of comparable senior properties.

Unit Type	Unit Mix	SF/Unit
1 Bedroom	60%	550
2 Bedroom/1 Bath	40%	730
Overall Project Avg.	*100%*	*622*

Regional Overview

Introduction

The Puget Sound Region (sometimes referred to as the Greater Seattle Area) is comprised of four counties: King County (whose major cities include Seattle, Bellevue, Federal Way, Kent, Shoreline, Renton, Redmond and Kirkland); Kitsap County (Bremerton and Bainbridge Island); Pierce County (Tacoma, Lakewood, and Puyallup); and Snohomish County (Everett, Edmonds, and Lynwood).

Current Economic Conditions

True to historical patterns, the regional economy lagged the nation by about two quarters in entering the recession in early 2008. The outlook has continued to darken through the first half of 2009 with job losses exceeding original projections. However, the region is still performing better than much of the nation. The home buying market has started to show some modest signs of improvement and the foreclosure rate remains well below the national average.

The current slowdown began in the last half of 2007 with employment growth ending the year at 2.9% (annual basis), down from 3.2% the previous year. In 2008 employment grew by only 1.0% growth, with the unemployment rates reaching 8.7% in August 2009 in the Seattle MSA. The latest projection is for an employment decrease of 3.9% in 2009.

Long-term the region's economy is still regarded as structurally sound. However, job losses and the loss of personal wealth in real estate and the stock market have curtailed discretionary retail spending. Consumers spending had carried a significant portion of the economy and their consumer confidence has fallen very rapidly after several quarters of denial. Retail began to feel the slowdown even before the disappointing 2008 holiday sales. The local housing market saw values decline by 22% from the peak of the market in mid-2007, with close-in markets faring better.

The first signs of either hitting bottom or a begging recovery were that home sales volume increasing year over year in May and the Schiller-Case Index showing a small gain between March and July (149.03 to 149.44), the first increase since the peak at 192.30 in July 2007.

Activity in commercial real estate has remained very slow as a lack of financing is still problematic. Buyers' and owners' perception of market value remain far apart and sellers who aren't forced to sell are, aren't selling.

Boeing

Boeing has been a major driver in the central Puget Sound region for more than eight decades and remains one of the largest private employers in the region. The total number of Boeing employees in Washington State reached 76,400 at the end of 2008, after adding over 17,000 jobs in the previous three years. In January 2009 it was announced that as many as 10,000 jobs will be cut in the face of the airline slowdown and there is strong evidence that this number will increase. The first employment reduction in its Commercial Airplane Division included 4,500 jobs, about 6% of its Washington workforce. The second round will be focused on the same group. At the end of June, Washington employment stood at 73,758, down by 2,947 jobs from

January. Some of these cuts were anticipated as the local production line for the 787 program requires far fewer workers, incorporating more subassembly by vendors.

In July Boeing purchased a suppliers plant in South Carolina in an attempt to improve production efficiency of the 787. This has raised speculation that the company will open the second 787 assembly plant at that location. That likelihood was increased due to an employee strike in late 2008 in Seattle which cost the company millions of dollars.

The company had booked a record of 1,413 net orders for commercial jets in 2007, topping the record set in 2006 at 1,044. Deliveries of finished planes increased from a 2003 low point of 239 planes, to 441 in 2007. Production in 2008 was projected at 475 jets, but the final total came in at only 375, mostly due to delays caused by the November strike. The production pace of the first half of 2009 was at the same pace as 2008. At that rate, the company has enough backorders to keep the plants busy for five years. However, the weak economy has led to a growing number of postponements and cancellations.

Microsoft

In the 1990s, Microsoft surpassed Boeing in terms of total payroll dollars. Worldwide employment as of June 2009 is 92,736, up by less than 1,500 since June 2008, after adding an average of 6,671 per year in the previous decade. Currently there are 41,000 employees in Washington State, up by about 2,144 from June 2008, almost all of which are employed in the Puget Sound region. Not immune to the declining economy, the company's employment growth slowed in the last quarter of 2008 and in January 2009 and Microsoft announced that 1,400 local jobs will be cut in Washington State; this is out of a 5,000 jobs companywide.

Microsoft has also announced that it has put on hold the final building planned for their Redmond headquarters. The building will be capped as the employment numbers fall and the company moves workers into leased space, committed to prior to the economic downturn. In 2007 the company was planning to hire additional employees and started a major move into leased space, including 300,000 sq ft of Lincoln Square in the Bellevue CBD and 87,000 sq ft in Eastpointe in Issaquah. In 2007 and 2008, the company also pre-leased nearly two million square feet, in three new projects in the Bellevue CBD and the I-90 Corridor (Advanta, The Bravern and City Center Plaza). They had been planning to lease for 300,000 sq ft in downtown Seattle, but terminated that negotiation when the layoffs were announced in January 2009. Overall, the company's base business is considered solid and it is the core of the economy in the Eastside market. Google and Yahoo! have both scaled back planned expansions in the market eastside market also.

According to the latest September 2009 figures published by the Puget Economic Forecaster, the baseline projection is for a continued employment loses through the first quarter of 2010. In the fourth quarter 2008, employment growth on a quarterly basis decreased to a negative 6.7%. In 2009, employment growth is forecast to settle at an annual decline of 3.9% before turning around in the second quarter of 2010. Regional unemployment has moved upward the past few months and is projected to peak in the first quarter of 2010 at 9.5%.

Population

During the past 30 years, the population of Washington State has grown by about 18% per decade. The Puget Sound Region accounts for over 54% of Washington's

Official April 2009 population (6,668,200). Over the past nine years, the Puget Sound has grown by 10.3%, less than the 13.1% statewide growth. Current projections for the region show growth at 1.1% in 2009 dropping to 0.7% in 2010.

Population Trends		**1980**	**1990**	**2000**	**2009**
United States	Population (%Change	11.0	9.9	12.8	8.7
Washington State	Population (%Change	21.1	17.8	21.1	13.1
Puget Sound	Population (%Change	16.4	22.9	18.6	10.3
	Population (thous)	2,254.6	2,770.7	3,285.3	3,620.1

Source: Office of Financial Management & Puget Sound Economic Forecaster

Economic Indicators

All through 2008 and into the first half of 2009 forecasters downgraded their projections for job growth in 2009 and 2010. The September 2009 edition of The Puget Sound Economic Forecaster now anticipates a 3.9% loss of jobs in 2009. This follows growth that trailed off to only 1.0% in 2008, well below the 2.8% to 3.8% seen in the previous three years. Among the losses are a significant number in the FIRE sector, including 3,400 pink slips at WaMu, 1,400 at Microsoft, an unknown numbers at Liberty Mutual/Safeco and Bank of America. Construction jobs will continue to fall with few new housing or commercial projects starting in the next two years. Manufacturing will lose more than 5,000 Boeing jobs, plus ancillary jobs as production slows. Retail job losses will accelerate as more companies succumb or cut back. Any recovery in 2010 will be modest, but the region should fare better than the nation overall.

Personal income growth also decreased to a forecast for 2009 of -1.6% from 3.7% in 2008. This effect will be partially offset by a sharp drop in the CPI, although that could be adversely affected by wildly fluctuating oil prices and the threat of increased inflation if the Fed is forced to print more money for additional bail-outs.

Another major change in the forecast was the increased drop in housing permits in 2008, plummeting by -42.9%, a reasonable response to the market which has seen the number of sales fairly stable, but available inventory increase sharply. Inflation rose sharply in 2008 to 4.3%, due mainly to food and fuel prices. This follows a higher than expected 3.8% in 2007, but the forecast for 2009 is bordering on deflation.

REGIONAL AND NATIONAL ECONOMIC INDICATORS								
Annual % Change	2004	2005	2006	2007	2008	2009	2010	2011
Puget Sound Region							Forecast	
Employment	1.3	2.8	3.2	2.9	1.0	-3.9	-1.1	1.9
Personal Income	9.3	3.0	9.3	8.6	3.7	-1.6	3.7	5.2
Consumer Price Index	1.1	2.8	3.8	3.8	4.3	1.0	1.9	1.9
Housing Permits	12.7	14.1	-5.7	3.1	-42.9	-49.7	29.6	36.3
Population	0.7	1.0	1.8	1.2	1.4	1.1	0.7	0.6
United States								
GDP ($00)	3.6	3.1	2.7	2.1	0.4	-2.7	2.3	3.4
Employment	1.1	1.7	1.8	1.1	-0.4	-3.7	-0.3	1.4
Personal Income	6.0	5.5	7.5	5.6	2.9	-1.4	3.5	4.8
Consumer Price Index	2.7	3.4	3.2	2.9	3.8	-0.5	1.9	2.1
Housing Starts	5.1	6.3	-12.6	-25.9	-32.9	-36.7	38.7	41.8

Source: Blue Chip Economic Indicators, September 2009

Real Estate Trends

The Puget Sound region's real estate markets were in a holding pattern for all of 2008 and the first half of 2009. Relief is not anticipated until mid-2010. Slowing job growth has met continuing delivery of new space and so far the net effect has been a loss of much of the rent increase seen in 2006 and 2007. Vacancy continues to increase in all sectors with the slow economy limiting demand. In the past four years all types of real estate have seen peaks come and go.

Condominiums were the first big push, offering more affordable options in a super-heated housing market. Industrial was next, as the booming economy increased imports and the need for transshipping warehouse capacity. Retail rode the upswing in consumer spending, much of that fueled by home refinancing. Apartment vacancy fell and rents rose as little new inventory was delivered between 2004 and 2007. Conversions of apartments to condominiums during that time frame actually led to a net loss of apartment units. The office market was the last to recover starting in late 2006 as three years of strong employment growth finally absorbed all the space vacated in the dot.com bust of 2001. In each sector, new development was moderated to some degree by extreme increases in construction costs, as well as land price increases as the supply of available sites diminished.

An overview of vacancy rates or occupancy rates in the case of hotels, in the regional real estate markets is outlined in the chart below.

REGIONAL VACANCY RATES-3rd QUARTER 2009

Segment	Seattle	Eastside	Northend	Southend	Pierce
Office	12.20%	11.00%	13.30%	14.50%	11.60%
Industrial	4.30%	5.60%	6.30%	5.20%	10.60%
Apartment (Fall 2009)	5.60%	5.60%	6.80%	7.80%	9.30%
Retail	4.50%	8.00%	6.00%	7.10%	7.10%
Hotel Occupancy (YTD 7/09)	70.50%	56.10%	58.10%	68.00%	63.70%

Source: CoStar, Dupre+Scott (apartment), Wolfgang Rood Hospitality Consulting (hotel)

The slowing of the national economy and the first signs of the flattening and then decline of housing prices and demand began to change the cycle in late 2006. The effects on the region were about two quarters behind the national market. Condominiums were the first product to feel the pain, exhibited in a virtual end to presales in new projects. The much slower absorption that followed was really more in tune with a stabilized market, but the change seemed traumatic in comparison with the camp-outs for units and 100% presales of 2005. The increases in construction costs and this longer sell-out combined with flat prices and difficulties in the mortgage market to remove that product from feasibility very quickly.

Apartments became feasible in this vacuum as the end to sub-prime lending resulted in fewer potential buyers and concern about price durability kept more out of the buying market. Rental rates for apartments jumped up by 30-40% between 2004 and 2008. However, the combination of new inventory, 10,000 new units in 2009 and 2010, a burgeoning shadow market of condominiums and houses for rent and lax demand have combined to increase vacancy and push rent discounts. The anticipation now is for minor at best rent growth through 2010 until job growth improves and new construction takes a break.

The region's industrial market reached a plateau in mid-2007 as much of the demand created by the previous economic expansion was satisfied in 2005 and 2006. Vacancy moved up slightly in 2007 and 2008 as construction overshot demand and sublease space has begun to be a factor. Rental rates have dipped by about 10%, after jumping by 20-25% over the previous four years. The rent discounts have not resulted in an improvement in absorption as stable companies are just being cautious and many others are struggling or closing. This is expected to continue with imports and retail sales falling with the economy as many of the major expansions in the past few years were for retailers and importers tied to the Seattle and Tacoma ports.

The retail sector is beginning to see the effects of slowing consumer spending and store closings are picking up speed. Vacancy increased in all of the submarkets with the exception of the Eastside market over the past year. This trend is expected to continue and will have an effect on rental rates very quickly. Already many existing tenants are asking for rent relief as they try to stay in business.

Office vacancy rates have continued to trend upward as the economy takes its toll and even solvent companies are not expanding. The tail end of the building cycle continues to deliver space with weak pre-leasing excluding the Microsoft deals of 2007. The sharp rent increases of 2006-2007 also led tenants to economize on space needs. This trend is likely to continue in most regional markets as demand is held down by slowing job growth and available space swells with give-backs by WaMu/JP Morgan, Safeco/Liberty Mutual and several hundred thousand square feet from Amazon.com as they move into new headquarters.

The Eastside market should fare somewhat better than downtown Seattle, mainly a result of Microsoft's leasing nearly two million square feet in three projects under construction, but demand from other tenants has been almost non-existent. Total rent increases in 2006 and 2007 were nearly 33% in the Class A space on the Eastside, but have recently lost much of that gain to concessions as demand is limited. A total of 3.3 million square feet of new space will be delivered to the Seattle CBD in 2009 and 2010, with virtually no pre-leasing. The rental rates also increased in the Seattle CBD market, but not as dramatically as in the Bellevue market. With vacancy in the Seattle CBD expected to reach 15% in the next year, rents have fallen by over 25% from the market peak, with Class A space dropping even further. Seattle's South Lake Union submarket is bucking the trend with the start of Amazon.com's new campus, planned for a total of 1.1 million square feet at build-out.

The health science lab market in South Lake Union has been quiet with three projects under construction and limited pre-leasing. Some life science companies are to receive some stimulus funds, but the fall off of private funding starting in 2009 has led to numerous companies announcing cutbacks, including ZymoGenetics, Amgen, Rosetta Inpharmatics, and Cell Therapeutics.

Hotel occupancy rates are down over last year as business travel slowed and new rooms continue to be added to the market. Lodging demand in the major Seattle area markets is down 10% to 17% from the same period in 2008. Room rates are down 7% to 12%. Room revenue is down 18% to 27%. The worst decline is in the Eastside market, where four new hotels have opened in the last two years. Average daily rates are still reported as up by 5-10% in 2008, but they have been slipping rather quickly recently. The lodging market is open to further risk from the continuing weakness in the economy and budget cutting by all industries.

On the investment side, transactional activity is nearly at a halt, due to the difficulties in financing and buyers and sellers having a hard time agreeing on market value. Interest rates remain low when loans are available, but equity requirements have increased and each loan faces a high level of scrutiny. Most institutional investors sat on the sidelines for all of 2008 and the first half of 2009 and show no urgency to get back in the market. The one major sale in the region was the purchased of the former WaMu Center by Northwestern Mutual for the move of its Russell Investment division from Tacoma to Seattle. Chase sold that building at $128/sq ft, about a third of the replacement cost based on its low basis and in the face of trying to lease-up the building in the terrible Seattle CBD Class A market. Typically motivated transactions are down by over 80% from 2008 year to date.

For all product types capitalization rates have moved up, reflecting both higher financing costs, but also a re-introduction of a risk element into the overall return requirements. The increase has been on the order of 50-100 basis points for Class A properties, and even higher for the Class B and Class C categories. Fundamentally, most product types are still attractive investments in the Puget Sound region, and local buyers have remained fairly active for smaller properties.

Area Market Summary

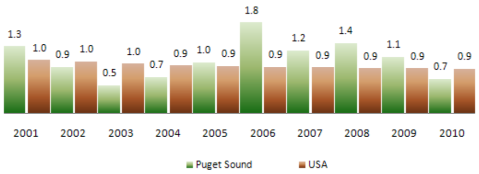
The general long-term outlook for the Puget Sound region continues to be better than most markets nationwide, but the effects of the malaise in the national and global financial markets has affected the local market harder than some had anticipated. Recent cuts at Boeing and Microsoft have increased forecasts of negative job growth for 2009 and into 2010. Previously, the regional economy was on path for a relatively soft landing in late 2008 and 2009. The fall-off was steeper than hoped for, but it appears that the majority of the downward adjustment has now been made. Overall, the region will still outperform much of the nation, as real estate developers have been relatively disciplined and the core of the economy remains fairly stable. The recovery, as the recession, may lag the national trend with trade based companies dependent on demand from the rest of the world to restart import/export traffic.

Real estate markets will see soft spots in the retail, hotel, Seattle CBD, Southend and Northend office markets, but other areas should remain fairly stable. There is a near-term softness in the apartment market, but that is expected to recover relatively quickly. Reinstated lending standards will moderate the pace of any homebuying recovery, prolonging the condominium market, but helping the apartment market. The regions real estate markets had improved to levels that made new construction financially feasible in most product types, prompting new cycles of apartment and office construction. Interest in investment in real estate remains, but leveraged buyers have been drastically slowed by continuing lack of liquidity on the lending side and institutional buyers have shown no signs of re-entering the markets. The market has not yet shown any concrete evidence as to where buyers and sellers will settle in terms of appropriate middle ground in terms of value as the market begins to settle into the new world of higher equity requirements and tougher scrutiny of each deal.

ECONOMIC INDICATORS -- HISTORIC & PROJECTED

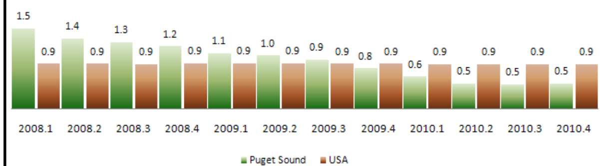
Annual Basis

Population		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%Change)	1.3	0.9	0.5	0.7	1.0	1.8	1.2	1.4	1.1	0.7
USA	(%Change)	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9

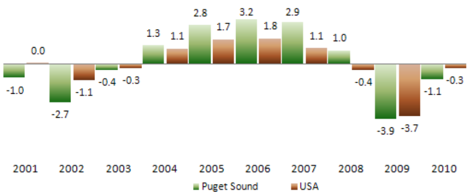


Quarterly Basis

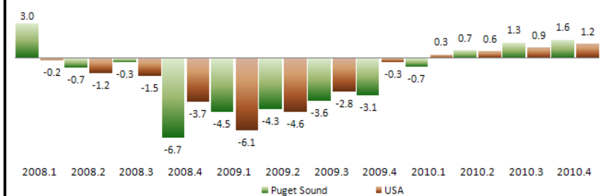
	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	1.5	1.4	1.3	1.2	1.1	1.0	0.9	0.8	0.6	0.5	0.5	0.5
USA	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9



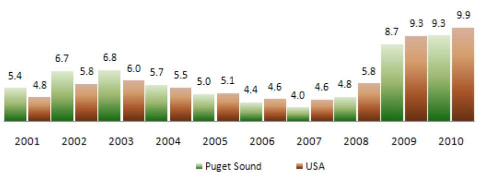
Employment		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%Change)	-1.0	-2.7	-0.4	1.3	2.8	3.2	2.9	1.0	-3.9	-1.1
USA	(%Change)	0.0	-1.1	-0.3	1.1	1.7	1.8	1.1	-0.4	-3.7	-0.3



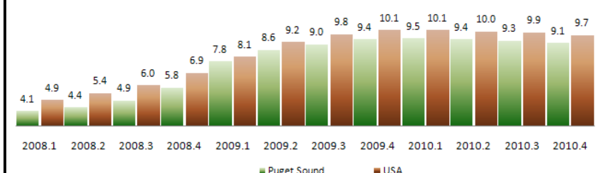
	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	3.0	-0.7	-0.3	-6.7	-4.5	-4.3	-3.6	-3.1	-0.7	0.7	1.3	1.6
USA	-0.2	-1.2	-1.5	-3.7	-6.1	-4.6	-2.8	-0.3	0.3	0.6	0.9	1.2



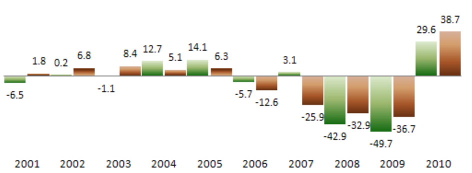
Unemployment Rate		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%)	5.4	6.7	6.8	5.7	5.0	4.4	4.0	4.8	8.7	9.3
USA	(%)	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.9



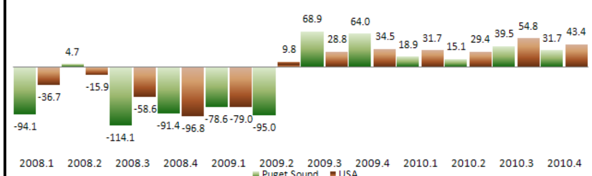
	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	4.1	4.4	4.9	5.8	7.8	8.6	9.0	9.4	9.5	9.4	9.3	9.1
USA	4.9	5.4	6.0	6.9	8.1	9.2	9.8	10.1	10.1	10.0	9.9	9.7



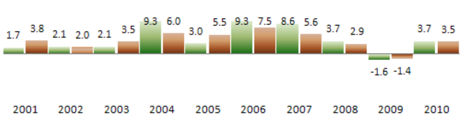
Housing Permits		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%Change)	-6.5	0.2	-1.1	12.7	14.1	-5.7	3.1	-42.9	-49.7	29.6
USA	(%Change)	1.8	6.8	8.4	5.1	6.3	-12.6	-25.9	-32.9	-36.7	38.7



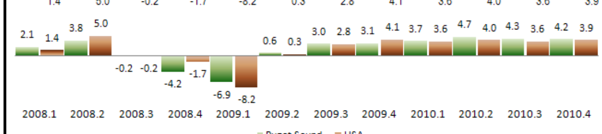
	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	-94.1	4.7	-114.1	-91.4	-78.6	-95.0	68.9	64.0	18.9	15.1	39.5	31.7
USA	-36.7	-15.9	-58.6	-96.8	-79.0	9.8	28.8	34.5	31.7	29.4	54.8	43.4



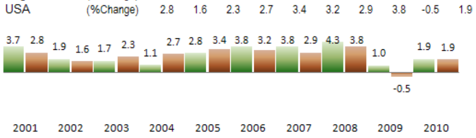
Personal Income		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%Change)	1.7	2.1	2.1	9.3	3.0	9.3	8.6	3.7	-1.6	3.7
USA	(%Change)	3.8	2.0	3.5	6.0	5.5	7.5	5.6	2.9	-1.4	3.5



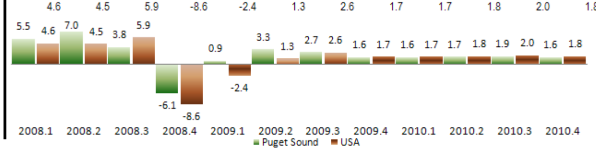
	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	2.1	3.8	-0.2	-4.2	-6.9	0.6	3.0	3.1	3.7	4.7	4.3	4.2
USA	1.4	5.0	-0.2	-1.7	-8.2	0.3	2.8	4.1	3.6	4.0	3.6	3.9



Consumer Price Index		2001	2002	2003	2004	2005	2006	2007	2008	Proj 2009	Proj 2010
Puget Sound	(%Change)	3.7	1.9	1.7	1.1	2.8	3.8	3.8	4.3	1.0	1.9
USA	(%Change)	2.8	1.6	2.3	2.7	3.4	3.2	2.9	3.8	-0.5	1.9



	2008.1	2008.2	2008.3	2008.4	2009.1	Proj 2009.2	Proj 2009.3	Proj 2009.4	Proj 2010.1	Proj 2010.2	Proj 2010.3	Proj 2010.4
Puget Sound	5.5	7.0	3.8	-6.1	0.9	3.3	2.7	1.6	1.6	1.7	1.9	1.6
USA	4.6	4.5	5.9	-8.6	-2.4	1.3	2.6	1.7	1.7	1.8	2.0	1.8



Source: Puget Sound Economic Forecaster September 2009